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Lawrence Krueger  
Manager  
Transmission & Facility Siting

Tel. 602-493-4200  
Fax 602-493-4113  
e-mail Lawrence.Krueger@aps.com

Mail Station 4030  
PO Box 53999  
Phoenix, Arizona 85072-3933

June 25, 2007

Ms. Elaine Zieroth  
Forest Supervisor  
Apache – Sitgreaves National Forest  
P.O. Box 640  
Springerville, Arizona 85938

Subject: Apache – Sitgreaves Forest Plan Revision

Dear Ms. Zieroth:

Arizona Public Service (APS) is aware that several of the federally-managed forests within the State of Arizona are in the initial stages of revising their specific Forest Plans. As the largest electric utility in Arizona and a participant in several regional transmission planning organizations, APS seeks to provide our input regarding specific considerations that we believe should be part of the Apache – Sitgreaves Forest Plan Revision process and wish to be recognized as a party to the ongoing planning efforts.

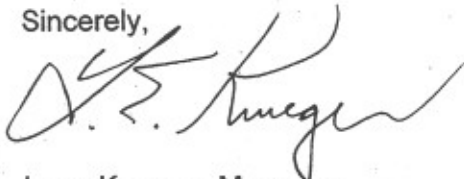
APS operates and maintains hundreds of miles of electric transmission lines on national forests in Arizona. Additionally, we frequently work with USFS representatives throughout the state to permit new facilities to meet increasing electrical demand. Many of the existing generating resources that provide energy to the Phoenix Metropolitan area and other outlying areas are located in northeastern Arizona and northwestern New Mexico. These same geographic regions are regarded to have favorable resource conditions for renewable energy generation projects, including solar, wind, and biomass facilities. The State of Arizona has recently mandated that utilities use renewable energy resources for 15% of their base energy load by 2025. It is likely, if not inevitable, that additional electrical transmission lines will be needed by APS and other utilities across forests in Arizona to meet growing demand and to integrate renewable resources into the regional electric supply.

The need for existing and future transmission lines across Arizona's federal forests is complicated by the existing condition and volatility of these areas. It is well known that forests in Arizona are hampered by the compounding effects of bark beetle damage and an ongoing regional drought. This has significantly increased the potential for prolonged and devastating forest fires, evidenced by several large-scale fires in recent years. These fires put at risk all built elements within their path; however, an outage of transmission lines and associated infrastructure from fire damage can have wide-ranging implications on APS' and other utilities' ability to provide electric service. The typical fire season occurs during the same timeframe as peak electric usage and an outage of lines caused by forest fires could have a potentially devastating effect on regional electric supply. The concept of locating new transmission lines immediately adjacent to existing like facilities, as has been the guideline in the current plans for many of the forests in Arizona, does not mitigate the potential effects of forest fires on

transmission lines. The identification of new utility corridors that are separate from existing corridors will be a key concept in maintaining the reliability of the regional electric network.

APS recognizes the need to sensibly balance resource protection with the accommodation of utility infrastructure necessary to support the demands of a growing region. We believe that the Apache – Sitgreaves Plan Revision should include consideration, analysis, and provisions for existing and future utility corridors, including the analysis of potential utility corridors that are separated from existing facilities for reliability purposes. We furthermore respectfully request to be included in future correspondence regarding your efforts and to have the opportunity to review and comment on all public documents. Please contact me with any questions you may have regarding this letter. We look forward to working with the Apache – Sitgreaves National Forest throughout the plan revision process.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Krueger", written over a light blue horizontal line.

Larry Krueger, Manager  
APS Transmission and Facility Siting