

PLEASE READ: AN IMPORTANT NOTICE ABOUT POSSIBLE INCREASES TO YOUR BILL

Arizona Public Service Company (APS) has asked the Arizona Corporation Commission (ACC) to approve a \$.001770 per kWh Power Supply Adjustment (PSA) Surcharge on customer's bills to recover a portion of the increased fuel and purchased power costs. If approved as requested, the surcharge would be applied to customers' bills beginning with billing cycle 1 of November 2005 and would be removed in 24 months. It would add an estimated \$2.74, or about 2.1 percent to the average monthly residential bill. The average non-residential customer's monthly bill will increase an estimated \$14.93 or about 1.8 percent*. The actual increase each customer will have depends on their individual usage and rate schedule.

Customers can minimize the impact of the surcharge by using electricity efficiently and wisely, thus reducing their overall energy usage. Tips on how to reduce your energy usage are available on our website www.aps.com under APS Services or on the bill inserts that accompany your monthly bill. Customers who are on the Company's Residential Energy Support Program (E-3) or Medical Care Equipment Program (E-4) will not have to pay the surcharge.

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The surcharge will recover a portion of the increased fuel and purchased power costs already incurred to provide electricity for customers. Due to the current market conditions, fuel and purchased power costs have increased to the point where the Company was required to file the surcharge request with the ACC. While APS regrets any increase in our customer's costs, the under-collected PSA balance needs to be reduced. The proposed PSA surcharge is different from and in addition to the annual PSA adjustment (if any) in April 2006. For more information on current natural gas prices and a description of the PSA, visit our website at www.aps.com under Power Supply Adjustment (PSA). For more information about the Company's request you can visit the website above or call either 1-800-253-9405 or 602-371-7171 (in metro Phoenix).

The Company is requesting that the ACC schedule an Open Meeting to discuss and vote upon this matter prior to November 1, 2005. To find out when this Open Meeting will be scheduled or how to comment on the proposed surcharge you can contact the ACC at www.cc.state.az.us or call 1-800-222-7000. Additionally, you can contact the Company at the numbers specified above.

** The stated non-residential increase is based on an E-32 customer with Summer usage of 9,504 kWhs and 33 kW and Winter usage of 7,812 kWhs and 30 kW.*