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ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Commissioner

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April 23, 2007

Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce

Re: Arrest of Former Palo Verde Nuclear Generating Station Employee

Dear Colleagues:

As you know, earlier this month an Arizona Public Service Company employee was arrested on charges that he allegedly improperly downloaded simulation software that showed schematics and drawings of Palo Verde Nuclear Generating Station ("PVNGS"), during a trip to Iran. The case against this individual will be addressed in the coming months by a federal district court. It is also being monitored, according to APS officials, by the Nuclear Regulatory Commission.

However, the incident raises troubling questions regarding security measures deployed by APS at its power plants, in particular its methods of ensuring that past employees are prevented from accessing plant information following their employment at the Company. According to statements made by an APS spokesman to the *Arizona Republic* newspaper on Saturday, the Company failed to notify the vendor of the software allegedly downloaded by the former APS Palo Verde employee that the former employee no longer worked at the Company. This apparent failure to communicate led in part to the ability of the former employee to gain control of the PVNGS simulation software during his stay in a foreign country. If this is true, I would like to know why the Company failed to take steps necessary to purge the employee's access to the Company's software, and whether the Company has moved to close off the access of all other former employees of APS to the Company's electronic files. I would also like to know what has been done to ensure that updated personnel status information is sent to APS vendors supplying sensitive information to ensure those vendors preclude normal access rights to former APS employees or anyone not having appropriate access rights.

I have a number of other questions, but I am hesitant to raise them given this matter is subject to a federal law enforcement investigation. While I think this latest in a series of ongoing missteps and problems at PVNGS justifies additional Commission scrutiny, I have no desire to interfere with the federal investigation and prosecution. I am more than frustrated, however, that at the same time a multimillion dollar increase in rates is proposed by APS, the Company continues to make national headlines regarding PVNGS inefficiency, ineffectiveness and now, possibly, significant incompetence regarding security.

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I respectfully submit that the Commission should identify an appropriate venue and time by which Commissioners can question APS regarding these issues.

Thank you for your consideration of this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", with a long horizontal flourish extending to the right.

Kris Mayes
Commissioner

Cc: Brian McNeil
Ernest Johnson
Heather Murphy