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ARIZONA CORPORATION COMMISSION

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July 13, 2007

Mr. Jack Davis, President and CEO
Arizona Public Service Company
Mail Station 9080
P. O. Box 53999
Phoenix, AZ 85072-3999

Re: Nuclear Regulatory Commission Report Regarding Senior Palo Verde Operator's Falsification of Information.

Dear Mr. Davis:

As you know, yesterday the Nuclear Regulatory Commission ("NRC") issued a report detailing its findings from an investigation into allegations that a Palo Verde Nuclear Generating Station ("PVNGS") senior operator falsified information during the performance of his duties at the plant.

The information in the NRC report is troubling and will require greater scrutiny by the Arizona Corporation Commission ("ACC"). With regard to the report, I would like to know whether the information in this latest NRC inspection report could lead to a further downgrade of PVNGS by the NRC, and whether it will make it more difficult for PVNGS to extricate itself from its current Category Four status. This is especially critical because, as stated by the NRC in its July 12, 2007 letter, "...this issue involved a senior operator who felt compelled to cover up a mistake rather than admit it..." and, therefore, relates to "...your current assessment of your operations safety culture, its contribution to this event, and any planned or implemented corrective action." Additionally, I would like to know what steps the Arizona Public Service Company ("APS") has taken to prevent such an event from recurring, and what steps APS is taking to ensure that it hires PVNGS operators who will not attempt to falsify records.

Also deeply disturbing to me is the fact that during the entire pendency of the NRC's investigation, APS failed to notify the ACC of APS's findings that a senior operator at PVNGS had falsified information and did not disclose to the ACC the existence of the NRC's investigation into the matter. Nine months after the incident occurred, the ACC was notified by APS of the NRC's investigation and its conclusions, but only after APS became aware that the NRC was on the verge of making its findings public.

This is the latest in a string of failures by APS to timely communicate important information to the ACC. The last such example of your failure to adequately keep the ACC informed occurred when a former PVNGS employee was accused by federal prosecutors of inappropriately

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downloading PVNGS software while in Iran. APS notified the ACC four hours after it discussed the matter with members of the news media.

In this case, the NRC has concluded that the actions by one of your senior operators were a serious transgression. That kind of an investigation and allegation should have been disclosed to the ACC, either by you or by Mr. Edington, the new chief of operations at PVNGS. APS has had a multitude of opportunities to provide this information to the ACC. In the past nine months, the ACC has conducted numerous public meetings during which we questioned APS regarding the operations, maintenance and safety of PVNGS; we have conducted a rate case during which operations and maintenance of PVNGS were at issue; and we have conducted one-on-one meetings and phone conversations with APS officials. During those meetings I have repeatedly raised questions about operations at PVNGS, and have expressed my dissatisfaction with APS's seemingly chronic inability to properly communicate major events to the ACC. Not once during those meetings, phone calls and hearings did anyone from APS report these latest allegations against a PVNGS employee.

Therefore, please tell the ACC why you withheld this information, and why you believe the fact of that withholding did not deprive the ACC of our ability to fulfill our oversight duties as the primary regulator of APS.

Thank you for your prompt response to these questions.

Sincerely,



Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Ernest Johnson
Brian McNeil
Chris Kempley
Heather Murphy