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ARIZONA CORPORATION COMMISSION

November 18, 2005

Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Commissioner Kristin Mayes

Re: APS Demand Side Management (DSM) Programs
Docket No. E-01345A-05-0477

Dear Colleagues:

In light of the volatile natural gas prices driving up the bills of APS customers, I believe it is imperative that we move forward immediately to provide them with conservation opportunities. APS has been collecting ratepayer money for this purpose since we approved the rate case settlement agreement in March 2005. Therefore, it is our obligation to APS ratepayers that we begin approving DSM programs.

As you know, the DSM Plan included in the Approved Settlement Agreement requires APS to spend $48 million in ratepayer money on DSM programs over the next three years. In addition, all DSM programs proposed by APS must be approved by the Commission. Swift action by the Commission is crucial to our objective of affording APS customers with the opportunities to lower their electric bills in the coming months.

I recommend moving forward now with our approval of the most cost-effective DSM options for APS and then redirect our attention on the broader policy question by "fast tracking" the proposed DSM rules package.

I seek your views on this matter.

Yours truly,

Jeff Hatch-Miller
Chairman

Cc: Docket Control
Parties of Record