

July 18, 2007

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., NE
Washington, DC 20246

Re: **ERRATA - Arizona Public Service Company, Docket No. OA07-43-000;**
Arizona Public Service Company, Docket No. OA07-19-000

Dear Secretary Bose:

On July 13, 2007, Arizona Public Service Company ("APS") submitted a compliance filing pursuant to Section 206 of the Federal Power Act ("FPA") ("Section 206 Compliance Filing"), to reflect changes to the Federal Energy Regulatory Commission's ("Commission") *Pro Forma* Open Access Transmission Tariff ("*Pro Forma* OATT") adopted in Order No. 890.¹ Please accept for filing the attached errata to the Section 206 Compliance Filing, containing substitute tariff sheets, which are further described below.

On July 13, 2007, the same day that APS submitted its Section 206 Compliance Filing, the Commission issued an Order in Docket No. OA-19-000 ("July 13 Order"), in which the Commission accepted in part, and rejected in part, a previously-submitted compliance filing made by APS on April 16, 2007 ("April 16 Compliance Filing").² APS' April 16 Compliance Filing, submitted pursuant to Section 205 of the FPA, proposed adding a new Schedule 10 to incorporate use of the Dow Jones index as a pricing proxy in the generator imbalance schedule adopted in Order No. 890. In its

¹ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266, P 1432-1501 (March 15, 2007).

² *Arizona Public Service Company*, 120 FERC ¶ 61,038 (2007).

July 13 Order, the Commission rejected APS' proposed generator imbalance schedule without prejudice to re-filing pursuant to the schedule set forth in Order No. 890.³

Unfortunately, the July 13 Order was issued too late to be incorporated into the Section 206 Compliance Filing. As directed by the July 13 Order, we are re-submitting Schedule 10 to properly conform with Order No. 890. These revisions are reflected in the attached Substitute Original Sheet Nos. 102-104.

The Section 206 Compliance Filing has also been conformed to reflect an updated Table of Contents. Subsequent to APS' Section 206 Compliance Filing, it came to APS' attention that a few of the page references in the OATT's Table of Contents were incorrect. These revisions are reflected in the attached Substitute Original Sheet Nos. 8-9.

This filing contains an original and five copies of the following materials:

1. This transmittal letter;
2. Exhibit I: redline versions of Substitute Original Sheet Nos. 8-9, 102-104; and
3. Exhibit II: clean versions of Substitute Original Sheet Nos. 8-9, 102-104.

Pursuant to 18 C.F.R. §§ 35.2(d) and 35.3(a), copies of this filing have been mailed to each transmission customer under the APS OATT, and to the Arizona Corporation Commission. A complete copy of this filing will be posted on the APS OASIS site.

Please do not hesitate to contact the undersigned if you have any questions.

Respectfully submitted,

Gary D. Bachman

Counsel for Arizona Public Service Company

³ *Id.* at P 10. On July 13, 2007 APS re-filed proposed Schedule 10 (Docket No. OA07-71-000) in the form the Commission rejected without prejudice, and requested that it be accepted for all the reasons previously stated in the April 16 Compliance Filing.

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SCHEDULE 10

Generator Imbalance Service

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Transmission Provider's Control Area and a delivery schedule from that generator to (1) another Control Area or (2) a load within the Transmission Provider's Control Area over a single hour. The Transmission Provider must offer this service when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Generator Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area Operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly generator imbalances under this Schedule or hourly energy imbalances under Schedule 4 for the same imbalance, but not both.

The Transmission Provider shall establish charges for generator imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and

settled financially, at the end of each month, at 100 percent of incremental or decremental cost.

(ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and

(iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled at 125 percent of incremental cost or 75 percent of decremental cost, except that an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5 percent or 2 MW. An intermittent resource, for the limited purpose of this Schedule is an electric generator that is not dispatchable and cannot store its fuel source and therefore cannot respond to changes in system demand or respond to transmission security constraints.

1. For purposes of this Schedule, incremental cost and decremental cost represent the Transmission Provider's actual average hourly cost of the last 10 MW dispatched to supply the Transmission Provider's Native Load Customers, based on the replacement cost of fuel, unit heat rates, start-up costs (including any commitment and redispatch costs), incremental operation and maintenance costs, and purchased and interchange power costs and taxes, as applicable.

[RESERVED]

Issued by: Cary Deise
Director, Transmission Planning & Operations
| Issued on: July 18~~3~~, 2007

Effective: July 13, 2007

EXHIBIT II

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Arizona Public Service Company
FERC Electric Tariff, Fourteenth Revised Volume No. 2

Substitute Original Sheet No. 104
Superseding Original Sheet No. 104

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