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**TRANSWEST EXPRESS PROJECT'S FEASIBILITY STUDY  
ON TRACK WITH POSITIVE RESULTS**

PHOENIX – Arizona Public Service Company (APS) announced results of the transmission and permitting portions of its feasibility analysis for the TransWest Express Project during last week's Stakeholder Project Update Meeting in Jackson Hole, Wyoming. These results, along with internal economic analysis that APS completed, indicate that project alternatives being studied are feasible and would provide significant economic benefits.

As part of the Phase One Feasibility Study, the transmission and permitting study groups comprised of APS experts and interested stakeholders spent the past six months studying various transmission alternatives and routes. Phase Two will include detailed technical engineering analysis and permitting of the selected route; Phase Three will be the construction of the transmission lines with a projected in-service date of 2013.

The TransWest Express Project alternatives are capable of transporting up to 3,000 megawatts of clean, low-cost coal and renewable wind energy from Wyoming to utilities in Arizona, California, Colorado, New Mexico, Nevada and Utah. In addition to providing access to energy resources for rapid growth areas in the Southwest, TransWest Express will benefit all western states by providing improved reliability of the western grid.

"It's very exciting that the study results show alternatives that provide benefits across a wide range of assumptions," said Bob Smith, project manager, APS. "I am pleased with the significant progress we have made in just six months. The input from stakeholders has been invaluable. We will continue to seek input as we proceed with the project."

The transmission study results included line loss estimates, projected cost, and an analysis of alternating current (AC) and direct current (DC) options. The alternatives reviewed are 500-kilovolt lines starting from Wyoming with varying end points. The analysis included the following alternatives:

- Alternative A: two AC lines routed through Utah and Colorado with one line ending in Las Vegas and the other in Phoenix
- Alternative B: two AC lines routed through Utah, Colorado and New Mexico with one line ending in Las Vegas and the other in Phoenix
- Alternative C: two AC lines routed through Utah, Colorado and New Mexico with one line ending in northern Arizona and the other in Phoenix

- Alternative D: one DC line routed through Colorado and New Mexico with the line ending in Phoenix
- Alternative E: one DC line to Utah, then converted to two AC lines with one ending in Las Vegas and the other in Phoenix

The DC and AC/DC hybrid alternatives showed a wider range of benefits than the AC only alternatives. Each route was then evaluated as to its permitting feasibility from an environmental perspective. The final route will not be determined until Phase Two of the project.

The next steps in Phase One are to complete the regional production cost economic analysis of the project and to determine Phase Two participants. The cost analysis will consider Western Electricity Coordinating Council regional loads, resources, transmission constraints and fuel prices. A report is expected by the end of November.

Phase Two participants will share the cost of permitting and more detailed engineering analysis. Salt River Project has expressed interest in 500-1,000 megawatts of the project. Phase Two is expected to begin early next year.

For more information on the Phase One Feasibility Study results on TransWest project's transmission review, go to: <http://www.oatiaoasis.com/azps/index.html> and click on TransWest Express.

APS, Arizona's largest and longest-serving electric utility, serves more than 1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the largest subsidiary of Pinnacle West Capital Corporation (NYSE: PNW).