



A subsidiary of Pinnacle West Capital Corporation

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Subject: APS closure and acceptance of Nukem GmbH Corrective Action to Vendor Corrective Action Report, VCAR No. VC-NNT2-06-053" Auditor Qualifications.

APS has received on December 21, 2006, the NUKEM GmbH Corrective Action to the subject VCAR. Nukem GmbH issued revision 1, to procedure QA 02-02, "Qualification of Auditors and QA Training" to address the APS comments made in November 21, 2006, under APS Letter 302-02236-RJB/FHJ. APS has reviewed the revised procedure and determined that the procedure has a definition for auditor and lead auditor, establishes the necessary minimum criteria for qualifying auditors, and the necessary qualification records to be maintained for auditors and the specific annual re-qualification criteria and records for re-qualification. APS considers the corrective actions taken as adequate to support the closure of the VCAR. As such, this VCAR and the Audit are now considered closed.

Please express our appreciation to Nukem's staff for the excellent support provided to resolve the VCAR in a very expeditious manner. Should you have any questions concerning the VCAR or related matters, please contact Mr. Fawaz H. Jabali by phone: (623) 393-6712 or by e-mail at Fawaz.Jabali@aps.com.

Sincerely,

Randy J. Bouquot
Audits Section Leader