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BEFORE THE ARIZONA CORPORATION COMMISSION

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JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN MAYES
Commissioner

IN THE MATTER OF THE GENERIC
PROCEEDINGS CONCERNING ELECTRIC
RESTRUCTURING ISSUES

Docket No. E-00000A-02-0051

IN THE MATTER OF THE GENERIC
PROCEEDING CONCERNING THE ARIZONA
INDEPENDENT SCHEDULING
ADMINISTRATOR

Docket No. E-00000A-01-0630

NOTICE OF FILING

Staff hereby files the following exhibits as requested by the Administrative Law Judge:

1. Exhibit A, which reflects the changes to APS' proposed Code of Conduct recommended by Staff witness Keene in her direct testimony; and
2. Exhibit B, which reflects the changes to APS' proposed Code of Conduct recommended by Staff witness Keene in her direct testimony and at the evidentiary hearing.

RESPECTFULLY SUBMITTED this 12th day of December 2005.

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AZ CORP COMMISSION
DOCUMENT CONTROL

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1 Original and 15 copies of the foregoing
2 filed this 12th day of December 2005,
3 with:

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6 Copy of the foregoing mailed this 12th
7 day of December 2005, to:

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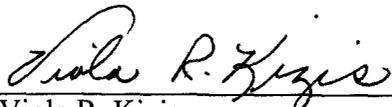
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EXHIBIT A

**CODE OF CONDUCT
FOR THE
ARIZONA CORPORATION COMMISSION**



July 29, 2005

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

Part One - Definitions

“**APS**” means Arizona Public Service Company.

“**Commission**” means the Arizona Corporation Commission.

“**Commission Rule**” means a final rule of the Commission effective at the time in question.

“**Competitive Electric Affiliate**” means those affiliates of APS engaged in either Competitive Retail Services or Competitive Wholesale Services.

“**Competitive Procurement**” means a process by which power is procured by APS.

“**Competitive Retail Affiliate**” means any affiliate of APS that is engaged in Competitive Retail Services within this state and is an Electric Service Provider.

“**Competitive Retail Services**” means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services ~~in a Commission Rule~~ by the Commission.

“**Competitive Wholesale Services**” means the provision of energy products or services to the wholesale electric market.

“**Confidential Customer Information**” means any non-public customer-specific information obtained by APS as a result of providing Noncompetitive Services. Confidential Customer Information also includes non-public customer-specific information obtained by APS from customers of special districts and public power entities on behalf of such special districts and public power entities.

“**Confidential Information**” means Confidential Customer Information and any other nonpublic information regarding Competitive Retail Services or Competitive Wholesale Services obtained solely through the provision of Noncompetitive Services or in a Competitive Procurement process. Confidential Information shall not include information that is otherwise available to non-affiliated third parties or information necessary for a Competitive Electric Affiliate to provide or receive Shared Services.

“**Distribution Information**” means information about available distribution capability, transmission access, and curtailments.

“**Electric Service Provider**” means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

“**Extraordinary Circumstance**” means any situation that requires APS to act in a manner contrary to this Code of Conduct to ensure the reliability of APS’ system, or ensure the safety of employees or the public, or to respond to any other emergency where such action is required.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

“FERC” means the Federal Energy Regulatory Commission.

“Noncompetitive Services” means unbundled distribution service, Standard Offer Service and other services that have been determined to be noncompetitive services ~~in a Commission Rule~~ by the Commission.

“Operating Employees” employees, contractors, consultants, or agents who have day-to-day duties and responsibilities conduct electrical system operations or reliability functions, including those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing, or carrying out energy-related operations. Operating Employees are excluded from providing Shared Services.

“Pinnacle West” means Pinnacle West Capital Corporation.

“Policies and Procedures” means those policies and procedures developed by APS to implement this Code of Conduct.

“Shared Services” means those support services provided by Pinnacle West or any of its affiliates, including but not limited to: human resources; accounting; tax; insurance; risk and insurance management, claims services, and public safety; energy risk management; audit services; contract management; information and communication technology; communications; environmental, health and safety; regulatory services; system dispatch; transportation; security; facilities; shareholder services; law and business practices; public affairs; and enterprise finance. “Operating Employees” are excluded from providing Shared Services.

“Standard Offer Service” means the bundled provision of retail electric service.

“Third Party” means any Electric Service Provider or market participant other than a Competitive Retail Affiliate that may lawfully provide Competitive Retail Services in Arizona.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

Part Two - Basic Principles

I. Applicability of Code of Conduct

- A. The Code of Conduct applies to APS as a provider of Noncompetitive Services and its interactions with its Competitive Electric Affiliates, unless an Extraordinary Circumstance excuses compliance.
- B. Regardless of any provision in this Code of Conduct, in an Extraordinary Circumstance APS may take whatever steps are necessary to ensure the reliability of APS' system, to protect the public interest, or to ensure safety for employees and the public. APS shall notify the Commission within 24 hours of or the next business day after an Extraordinary Circumstance and shall post on a public Website a description of the Extraordinary Circumstance and the actions taken by APS.

II. No Discrimination in Service

APS shall not give preferential treatment to its Competitive Electric Affiliates and shall treat affiliated and non-affiliated entities in a nondiscriminatory manner in providing service.

III. Confidential Information

- A. APS shall not provide Confidential Customer Information to any Competitive Electric Affiliate or a Third Party without the customer's prior written authorization. Such information may be provided only to the extent specifically authorized.
- B. APS shall not provide Confidential Information to a Competitive Electric Affiliate unless such information is also made available to Third Parties under similar terms and conditions. This restriction shall not apply to ~~Customer~~ Confidential Customer Information provided with the customer's prior written authorization.
- C. If ~~Customer~~ Confidential Customer Information is properly requested by a Third Party, APS shall not unreasonably delay or withhold the release of the requested ~~Customer~~ Confidential Customer Information.

IV. Separation Requirements

- A. APS shall be a separate corporate entity from its Competitive Electric Affiliates.
- B. Unless otherwise permitted by the Code of Conduct, APS shall operate separately from its Competitive Electric Affiliates to the extent practical.
- C. APS shall keep separate books and records and shall keep accounting records that set forth appropriate cost allocations between APS and its Competitive Electric Affiliates, which shall be made available to the Commission in accordance with A.A.C. R14-2-804(A).

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- D. APS and its Competitive Electric Affiliates may share equipment and facilities only in accordance with the functional separation requirements set forth in this Code of Conduct and the Policies and Procedures.
- E. APS and its Competitive Electric Affiliates shall not jointly employ the same employees, except that APS and its Competitive Electric Affiliates may utilize common officers and directors for corporate support, oversight, and governance. APS officers directly responsible for operational matters shall not serve as officers or directors of a Competitive Electric Affiliate. Common officers and directors shall not be utilized to circumvent the prohibition on providing Confidential Information to a Competitive Electric Affiliate, nor shall such common officers or directors be permitted to participate during the development or conduct of any Competitive Procurement process, or in any subsequent negotiations, in which a Competitive Electric Affiliate employing the common officer or director participates as a bidder.
- F. Contracts for services accounted for in conformance with Part 2, Section V of this Code of Conduct shall not constitute prohibited joint employment if measures are taken to prevent the transfer of Confidential Information between APS and any Competitive Electric Affiliate.
- G. APS and its Competitive Electric Affiliates may utilize Shared Services in accordance with Part 2, Section V of this Code of Conduct but Shared Services shall not act as conduit for Confidential Information to Competitive Electric Affiliates. Each employee who provides Shared Services shall be trained regarding the Code of Conduct and shall be required to sign an affidavit stating that he or she will not be a conduit for improperly sharing information.
- H. Shared risk management employees shall not be operating employees of either APS or its Competitive Electric Affiliates.

V. Transfers of Goods and Services

- A. APS shall not subsidize its Competitive Electric Affiliates through any rates or charges for Noncompetitive Services and, except as otherwise provided below, all transactions between APS and its Competitive Electric Affiliates shall be arm's length transactions. An arm's length transaction is a transaction between or among parties, each of whom acts in its own interest and where the final decision on the transaction is not made by a single individual or group of individuals with direct management control or other authority over both parties. The same lawyer may not represent both sides in an arm's length transaction between APS and one of its Competitive Electric Affiliates.
- B. Shared Services may be provided by APS to its Competitive Electric Affiliates, and such services shall be accounted for in accordance with the Policies and Procedures.
- C. APS may acquire Shared Services from Pinnacle West and such services shall be accounted for in accordance with the Policies and Procedures.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- D. Any services provided by APS or its Competitive Electric Affiliates that are subject to a filed tariff shall be provided at the rates and under the terms and conditions set forth in the tariff, unless an exception is permitted by the governing body with jurisdiction over such tariff. APS shall not be required to charge its Competitive Electric Affiliates more than its authorized tariff rate for any Noncompetitive Service.
- E. If APS sells to its Competitive Electric Affiliates non-tariffed goods or services, the transfer price shall be the higher of cost or market.
- F. If APS' Competitive Electric Affiliates sell to APS non-tariffed goods or services, the transfer price shall be at a price not to exceed market.

VI. Compliance, Dissemination and Education

- A. Compliance with the Code of Conduct is mandatory.
- B. The failure or refusal of an employee of APS or its affiliates to abide by or to act according to the Code of Conduct or the Policies and Procedures may subject the employee to disciplinary action, up to and including discharge from employment.
- C. Copies of this Code of Conduct shall be provided to employees and agents of APS and its Competitive Electric Affiliates that are likely to be engaged in activities subject to the Code of Conduct.
- D. A copy of the Code of Conduct shall be made available to all employees of APS and its Competitive Electric Affiliates on the corporate Intranet site.
- E. Training on the provisions of the Code of Conduct and its implementation shall be provided to the employees of APS and its Competitive Electric Affiliates and those authorized agents of APS and its Competitive Electric Affiliates that are likely to be engaged in activities subject to the Code of Conduct.
- F. Any activity that would constitute engagement in unlawful anticompetitive behavior shall constitute a violation of this Code of Conduct.
- G. APS shall provide a means for employees to raise questions and report concerns regarding this Code of Conduct.

VII. Modifications to the Code of Conduct or Policies and Procedures

- A. APS may request modifications to the Code of Conduct by filing an application with the Commission. The application shall set forth the proposed modifications and the reasons supporting them.
- B. APS may not make and implement any material change to the Policies and Procedures, including modifications to allocation methods or the direct and indirect allocators used in the Policies and Procedures, without filing an update with the Commission or its designee. Once notification is made by APS of an intended modification, if no action is

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

taken by the Commission or its designee within 30 days of its filing, the modification shall be deemed approved.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

VIII. Reporting Requirements

APS shall submit the following information to the Commission on an annual basis each April 15th, which shall be treated in accordance with A.R.S. § 40-204 and shall be publicly available:

- A. A list of all Extraordinary Circumstances that explains the nature, cause, and duration of each incident.
- B. A report summarizing the charges associated with all non-tariffed transactions between APS and its Competitive Electric Affiliates, with the associated charges reported separately for each Competitive Electric Affiliate and for each category of service.
- C. A report detailing (i) how many non-Standard Offer Service customers were provided metering services or meter reading services and (ii) how many Electric Service Providers received consolidated billing services from APS.
- D. A report identifying all transfers between APS and its Competitive Electric Affiliates of employees at the manager level or above.

IX. Dispute Resolution

To the extent permitted by law, complaints concerning violations of this Code of Conduct shall be processed under the procedures established in A.A.C. R14-2-212.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

Part Three - Retail Electric Competition

I. Non-Discrimination

- A. If a retail tariff provision allows for discretion in its application, APS shall apply that provision in a non-discriminatory manner between its Competitive Retail Affiliates and Third Parties and their respective customers.
- B. APS shall process requests for service by Competitive Retail Affiliates and Third Parties and their respective customers in the same manner and within the same time period.
- C. APS shall offer access to Distribution Information to its Competitive Retail Affiliates and Third Parties concurrently and under the same material terms and conditions.

II. Consolidated Billing and Promotions within the Bill Envelope

- A. If APS includes charges for Competitive Retail Services in its bills for Noncompetitive Services, APS shall offer the same service to any Third Party on the same material terms and conditions.
- B. This provision shall not prevent a Competitive Retail Affiliate or any Third Party from including amounts due for Noncompetitive Services in its own consolidated billing statement if authorized by the customer.
- C. If APS includes with its bills for Noncompetitive Services advertising or promotional materials from its Competitive Retail Affiliate, APS shall offer the same service to any Third Party on the same material terms and conditions.

III. Company Contact Information

Telephone numbers and websites used by APS for the provision of Noncompetitive Services shall be different from those used by its Competitive Retail Affiliates.

IV. Prohibition on Suggestion of Utility Advantage

- A. APS shall not state in any advertising, promotional materials, or sales efforts that a consumer who purchases services from APS' Competitive Retail Affiliates will receive preferential treatment in the provision of Noncompetitive Services or have any other advantage regarding the provision of Noncompetitive Services nor may APS require the purchase of any Competitive Electric Service from APS' Competitive Retail Affiliates as a condition to providing Noncompetitive Services.
- B. The name or logo of APS as a utility distribution company shall not be used in promotional advertising material circulated by a Competitive Retail Affiliate.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- C. APS personnel shall not state to any retail customer or potential retail customer a preference for any Competitive Electric Service provided by APS' Competitive Retail Affiliates or any Third Party.
- D. APS shall either direct Customers who inquire about Competitive Retail Services to the Commission for a list of Electric Service Providers or may provide such customers with a copy of the current Commission list of such providers. APS and its employees may not state any recommendation or preference or otherwise attempt to influence a potential customer in their choice of an Electric Service Provider.
- E. APS may not enter into special contracts which provide generation service at a discount to Standard Offer Service customers without the express authorization of the Commission.

V. **Joint Marketing**

APS and its Competitive Retail Affiliate shall not jointly market their respective retail services.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

Part Four – Competitive Procurement

I. Applicability

- A. These Competitive Procurement principles shall apply to wholesale acquisition of energy, capacity and physical hedge transactions for APS Standard Offer Service customers.
- B. These Competitive Procurement principles do not apply in cases of emergencies or for short-term acquisitions to maintain system reliability, nor unless otherwise stated to transactions to satisfy APS' obligations under the Commission's Environmental Portfolio Standard and Demand Side Management programs.

II. Acceptable Procurement Methods

- A. Purchases through third party, on-line trading systems, including but not limited to the Intercontinental Exchange, Bloomberg, California Independent System Operator, New York Mercantile Exchange, or other similar on-line third party systems.
- B. Purchases from qualified, third party, independent energy brokers.
- C. Purchases from non-affiliated entities through auctions or a request for proposals process administered by APS.
- D. Bilateral contracts with non-affiliated entities.
- E. Bilateral contracts with affiliated entities, provided that if APS proposes to procure energy or capacity from an affiliate through a bilateral contract APS will provide, through its Competitive Procurement Website, non-affiliated entities an opportunity to beat any proposed contract before executing the transaction.
- F. Any other Competitive Procurement process approved by the Commission.

III. Participation of Competitive Electric Affiliate

- A. APS shall not give preferential treatment to its Competitive Electric Affiliates in any Competitive Procurement or in the procurement of Demand Side Management or Environmental Portfolio Standard resources.
- B. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement request for proposals or auction process, an independent monitor selected by Staff will oversee the process.
- C. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement, APS shall keep detailed records of any and all contacts with the Competitive Electric Affiliate, including employees and contractors, regarding the Competitive Procurement for the life of the contract plus five years.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- D. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement, personnel involved in the preparation of a Competitive Electric Affiliate's bid in the solicitation process shall not have contact with personnel conducting the solicitation or advising APS in the solicitation concerning any business matter related to the Competitive Procurement except as provided below.
- E. The content of any communication between a Competitive Electric Affiliate that is a bidder in a Competitive Procurement and APS personnel (including contractors and agents) conducting the Competitive Procurement must be contemporaneously posted on the Competitive Procurement Website. A Competitive Electric Affiliate may, however, attend bidder's conferences and other public meetings regarding a Competitive Procurement.
- F. Copies of all bilateral power contracts between APS and Competitive Electric Affiliates shall be retained by APS for a minimum of the life of the contract plus five years.

EXHIBIT B

**CODE OF CONDUCT
FOR THE
ARIZONA CORPORATION COMMISSION**



July 29, 2005

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

Part One - Definitions

“**APS**” means Arizona Public Service Company.

“**Arm’s Length Transaction**” is a transaction between or among parties, each of whom acts in its own interest and where the final decision on the transaction is not made by a single individual or group of individuals with direct management control or other authority over both parties.

“**Commission**” means the Arizona Corporation Commission.

“**Commission Rule**” means a final rule of the Commission effective at the time in question.

“**Competitive Electric Affiliate**” means those affiliates of APS engaged in either Competitive Retail Services or Competitive Wholesale Services.

“**Competitive Procurement**” means a process by which power is procured by APS.

“**Competitive Retail Affiliate**” means any affiliate of APS that is engaged in Competitive Retail Services within this state and is an Electric Service Provider.

“**Competitive Retail Services**” means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services ~~in a Commission Rule~~ by the Commission.

“**Competitive Wholesale Services**” means the provision of energy products or services to the wholesale electric market.

“**Confidential Customer Information**” means any non-public customer-specific information obtained by APS as a result of providing Noncompetitive Services. Confidential Customer Information also includes non-public customer-specific information obtained by APS from customers of special districts and public power entities on behalf of such special districts and public power entities.

“**Confidential Information**” means Confidential Customer Information and any other nonpublic information regarding Competitive Retail Services or Competitive Wholesale Services obtained solely through the provision of Noncompetitive Services or in a Competitive Procurement process. Confidential Information shall not include information that is otherwise available to non-affiliated third parties or information necessary for a Competitive Electric Affiliate to provide or receive Shared Services.

“**Distribution Information**” means information about available distribution capability, transmission access, and curtailments.

“**Electric Service Provider**” means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

“Extraordinary Circumstance” means any situation that requires APS to act in a manner contrary to this Code of Conduct to ensure the reliability of APS’ system, or ensure the safety of employees or the public, or to respond to any other emergency where such action is required.

“FERC” means the Federal Energy Regulatory Commission.

“Noncompetitive Services” means unbundled distribution service, Standard Offer Service and other services that have been determined to be noncompetitive services ~~in a Commission Rule~~ by the Commission.

“Operating Employees” are employees, contractors, consultants, or agents who have day-to-day duties and responsibilities for planning, directing, organizing, or carrying out energy-related operations. Operating employees include, but are not limited to, generation employees, transmission employees, and distribution employees. Operating employees do not include employees performing support services in the areas specifically identified in the definition of “Shared Services.” This definition is not intended to preclude APS from providing trading desk services to Pinnacle West as long as the same employees do not provide the same services for both entities.

“Pinnacle West” means Pinnacle West Capital Corporation.

“Policies and Procedures” means those policies and procedures developed by APS to implement this Code of Conduct.

“Shared Services” means those support services provided by Pinnacle West or any of its affiliates, including but not limited to: human resources; accounting; tax; insurance; risk and insurance management, claims services, and public safety; energy risk management; audit services; contract management; information and communication technology; communications; environmental, health and safety; regulatory services; system dispatch; transportation; security; facilities; shareholder services; law and business practices; public affairs; and enterprise finance. “Operating Employees” are excluded from providing Shared Services.

“Standard Offer Service” means the bundled provision of retail electric service.

“Third Party” means any Electric Service Provider or market participant other than a Competitive Retail Affiliate that may lawfully provide Competitive Retail Services in Arizona.

Part Two - Basic Principles

I. Applicability of Code of Conduct

- A. The Code of Conduct applies to APS as a provider of Noncompetitive Services and its interactions with its Competitive Electric Affiliates, unless an Extraordinary Circumstance excuses compliance.
- B. Regardless of any provision in this Code of Conduct, in an Extraordinary Circumstance APS may take whatever steps are necessary to ensure the reliability of APS' system, to protect the public interest, or to ensure safety for employees and the public. APS shall notify the Commission within 24 hours of or the next business day after an Extraordinary Circumstance and shall post on a public Website a description of the Extraordinary Circumstance and the actions taken by APS.

II. No Discrimination in Service

APS shall not give preferential treatment to its Competitive Electric Affiliates and shall treat affiliated and non-affiliated entities in a nondiscriminatory manner in providing service.

III. Confidential Information

- A. APS shall not provide Confidential Customer Information to any Competitive Electric Affiliate or a Third Party without the customer's prior written authorization, which may include a printed version of an electronic authorization. Such information may be provided only to the extent specifically authorized.
- B. APS shall not provide Confidential Information to a Competitive Electric Affiliate unless such information is also made available to Third Parties under similar terms and conditions. This restriction shall not apply to ~~Customer~~ Confidential Customer Information provided with the customer's prior written authorization.
- C. If ~~Customer~~ Confidential Customer Information is properly requested by a Third Party, APS shall not unreasonably delay or withhold the release of the requested ~~Customer~~ Confidential Customer Information.

IV. Separation Requirements

- A. APS shall be a separate corporate entity from its Competitive Electric Affiliates.
- B. Unless otherwise permitted by the Code of Conduct, APS shall operate separately from its Competitive Electric Affiliates to the extent practical.
- C. APS shall keep separate books and records and shall keep accounting records that set forth appropriate cost allocations between APS and its Competitive Electric Affiliates, which shall be made available to the Commission in accordance with A.A.C. R14-2-

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

804(A).

- D. APS and its Competitive Electric Affiliates may share equipment and facilities only in accordance with the functional separation requirements set forth in this Code of Conduct and the Policies and Procedures.
- E. APS and its Competitive Electric Affiliates shall not jointly employ the same employees, except that APS and its Competitive Electric Affiliates may utilize common officers and directors for corporate support, oversight, and governance. APS officers directly responsible for operational matters shall not serve as officers or directors of a Competitive Electric Affiliate. Common officers and directors shall not be utilized to circumvent the prohibition on providing Confidential Information to a Competitive Electric Affiliate, nor shall such common officers or directors be permitted to participate during the development or conduct of any Competitive Procurement process, or in any subsequent negotiations, in which a Competitive Electric Affiliate employing the common officer or director participates as a bidder.
- F. Contracts for services accounted for in conformance with Part 2, Section V of this Code of Conduct shall not constitute prohibited joint employment if measures are taken to prevent the transfer of Confidential Information between APS and any Competitive Electric Affiliate.
- G. APS and its Competitive Electric Affiliates may utilize Shared Services in accordance with Part 2, Section V of this Code of Conduct but Shared Services shall not act as conduit for Confidential Information to Competitive Electric Affiliates. Each employee who provides Shared Services shall be trained regarding the Code of Conduct and shall certify that he or she will not be a conduit for improperly sharing information.
- H. Shared risk management employees shall not be operating employees of either APS or its Competitive Electric Affiliates.

V. Transfers of Goods and Services

- A. APS shall not subsidize its Competitive Electric Affiliates through any rates or charges for Noncompetitive Services and, except as otherwise provided below, all transactions between APS and its Competitive Electric Affiliates shall be arm's length transactions. An arm's length transaction is a transaction between or among parties, each of whom acts in its own interest and where the final decision on the transaction is not made by a single individual or group of individuals with direct management control or other authority over both parties. The same lawyer may not represent both sides in an arm's length transaction between APS and one of its Competitive Electric Affiliates.
- B. Shared Services may be provided by APS to its Competitive Electric Affiliates, and such services shall be accounted for in accordance with the Policies and Procedures.
- C. APS may acquire Shared Services from Pinnacle West and such services shall be accounted for in accordance with the Policies and Procedures.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- D. Any services provided by APS or its Competitive Electric Affiliates that are subject to a filed tariff shall be provided at the rates and under the terms and conditions set forth in the tariff, unless an exception is permitted by the governing body with jurisdiction over such tariff. APS shall not be required to charge its Competitive Electric Affiliates more than its authorized tariff rate for any Noncompetitive Service.
- E. If APS sells to its Competitive Electric Affiliates non-tariffed goods or services, the transfer price shall be the higher of cost or market.
- F. If APS' Competitive Electric Affiliates sell to APS non-tariffed goods or services, the transfer price shall be at a price not to exceed market.
- G. Examples of non-arm's length transactions include transactions where the price is either the higher of or lower of fully allocated cost or fair market value; transactions under a tariff where a price or rate is specified; corporate transactions such as dividends or payments of an entity's share of taxes, benefits, or other pass-through costs; and Shared Services when accounted for in accordance with the Policies and Procedures.

VI. Compliance, Dissemination and Education

- A. Compliance with the Code of Conduct is mandatory.
- B. The failure or refusal of an employee of APS or its affiliates to abide by or to act according to the Code of Conduct or the Policies and Procedures may subject the employee to disciplinary action, up to and including discharge from employment.
- C. Copies of this Code of Conduct shall be provided to employees and agents of APS and its Competitive Electric Affiliates that are likely to be engaged in activities subject to the Code of Conduct.
- D. A copy of the Code of Conduct shall be made available to all employees of APS and its Competitive Electric Affiliates on the corporate Intranet site.
- E. Training on the provisions of the Code of Conduct and its implementation shall be provided to the employees of APS and its Competitive Electric Affiliates and those authorized agents of APS and its Competitive Electric Affiliates that are likely to be engaged in activities subject to the Code of Conduct.
- F. Any activity that would constitute engagement in unlawful anticompetitive behavior shall constitute a violation of this Code of Conduct.
- G. APS shall provide a means for employees to raise questions and report concerns regarding this Code of Conduct.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

VII. Modifications to the Code of Conduct or Policies and Procedures

- A. APS may request modifications to the Code of Conduct by filing an application with the Commission. The application shall set forth the proposed modifications and the reasons supporting them.

- B. APS may not make and implement any material change to the Policies and Procedures, including modifications to allocation methods or the direct and indirect allocators used in the Policies and Procedures, without filing an update with the Commission or its designee. Once notification is made by APS of an intended modification, if no action is taken by the Commission or its designee within 30 days of its filing, the modification shall be deemed approved.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

VIII. Reporting Requirements

APS shall submit the following information to the Commission on an annual basis each April 15th, which shall be ~~treated in accordance with A.R.S. § 40-204~~ publicly available:

- A. A list of all Extraordinary Circumstances that explains the nature, cause, and duration of each incident.
- B. A report summarizing the charges associated with all non-tariffed transactions between APS and its Competitive Electric Affiliates, with the associated charges reported separately for each Competitive Electric Affiliate and for each category of service.
- C. A report detailing (i) how many non-Standard Offer Service customers were provided metering services or meter reading services and (ii) how many Electric Service Providers received consolidated billing services from APS.
- D. A report identifying all transfers between APS and its Competitive Electric Affiliates of employees at the manager level or above.

IX. Dispute Resolution

To the extent permitted by law, complaints concerning violations of this Code of Conduct shall be processed under the procedures established in A.A.C. R14-2-212.

Part Three - Retail Electric Competition

I. Non-Discrimination

- A. If a retail tariff provision allows for discretion in its application, APS shall apply that provision in a non-discriminatory manner between its Competitive Retail Affiliates and Third Parties and their respective customers.
- B. APS shall process requests for service by Competitive Retail Affiliates and Third Parties and their respective customers in the same manner and within the same time period.
- C. APS shall offer access to Distribution Information to its Competitive Retail Affiliates and Third Parties concurrently and under the same material terms and conditions.

II. Consolidated Billing and Promotions within the Bill Envelope

- A. If APS includes charges for Competitive Retail Services in its bills for Noncompetitive Services, APS shall offer the same service to any Third Party on the same material terms and conditions.
- B. This provision shall not prevent a Competitive Retail Affiliate or any Third Party from including amounts due for Noncompetitive Services in its own consolidated billing statement if authorized by the customer.
- C. If APS includes with its bills for Noncompetitive Services advertising or promotional materials from its Competitive Retail Affiliate, APS shall offer the same service to any Third Party on the same material terms and conditions.

III. Company Contact Information

Telephone numbers and websites used by APS for the provision of Noncompetitive Services shall be different from those used by its Competitive Retail Affiliates.

IV. Prohibition on Suggestion of Utility Advantage

- A. APS shall not state in any advertising, promotional materials, or sales efforts that a consumer who purchases services from APS' Competitive Retail Affiliates will receive preferential treatment in the provision of Noncompetitive Services or have any other advantage regarding the provision of Noncompetitive Services nor may APS require the purchase of any Competitive Electric Service from APS' Competitive Retail Affiliates as a condition to providing Noncompetitive Services.
- B. The name or logo of APS as a utility distribution company shall not be used in promotional advertising material circulated by a Competitive Retail Affiliate.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- C. APS personnel shall not state to any retail customer or potential retail customer a preference for any Competitive Electric Service provided by APS' Competitive Retail Affiliates or any Third Party.
- D. APS shall either direct Customers who inquire about Competitive Retail Services to the Commission for a list of Electric Service Providers or may provide such customers with a copy of the current Commission list of such providers. APS and its employees may not state any recommendation or preference or otherwise attempt to influence a potential customer in their choice of an Electric Service Provider.
- E. APS may not enter into special contracts which provide generation service at a discount to Standard Offer Service customers without the express authorization of the Commission.

V. Joint Marketing

APS and its Competitive Retail Affiliate shall not jointly market their respective retail services.

Part Four – Competitive Procurement

I. Applicability

- A. These Competitive Procurement principles shall apply to wholesale acquisition of energy, capacity and physical hedge transactions for APS Standard Offer Service customers.
- B. These Competitive Procurement principles do not apply in cases of emergencies or for short-term acquisitions to maintain system reliability, nor unless otherwise stated to transactions to satisfy APS' obligations under the Commission's Environmental Portfolio Standard and Demand Side Management programs.

II. Acceptable Procurement Methods

- A. Purchases through third party, on-line trading systems, including but not limited to the Intercontinental Exchange, Bloomberg, California Independent System Operator, New York Mercantile Exchange, or other similar on-line third party systems.
- B. Purchases from qualified, third party, independent energy brokers.
- C. Purchases from non-affiliated entities through auctions or a request for proposals process administered by APS.
- D. Bilateral contracts with non-affiliated entities.
- E. Bilateral contracts with affiliated entities, provided that if APS proposes to procure energy or capacity from an affiliate through a bilateral contract APS will provide, through its Competitive Procurement Website, non-affiliated entities an opportunity to beat any proposed contract before executing the transaction.
- F. Any other Competitive Procurement process approved by the Commission.

III. Participation of Competitive Electric Affiliate

- A. APS shall not give preferential treatment to its Competitive Electric Affiliates in any Competitive Procurement or in the procurement of Demand Side Management or Environmental Portfolio Standard resources.
- B. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement request for proposals or auction process, an independent monitor selected by Staff will oversee the process.
- C. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement, APS shall keep detailed records of any and all contacts with the Competitive Electric Affiliate, including employees and contractors, regarding the Competitive Procurement for the life of the contract plus five years.

CODE OF CONDUCT FOR THE ARIZONA CORPORATION COMMISSION

- D. If a Competitive Electric Affiliate participates as a bidder in a Competitive Procurement, personnel involved in the preparation of a Competitive Electric Affiliate's bid in the solicitation process shall not have contact with personnel conducting the solicitation or advising APS in the solicitation concerning any business matter related to the Competitive Procurement except as provided below.
- E. The content of any communication between a Competitive Electric Affiliate that is a bidder in a Competitive Procurement and APS personnel (including contractors and agents) conducting the Competitive Procurement must be contemporaneously posted on the Competitive Procurement Website. A Competitive Electric Affiliate may, however, attend bidder's conferences and other public meetings regarding a Competitive Procurement.
- F. Copies of all bilateral power contracts between APS and Competitive Electric Affiliates shall be retained by APS for a minimum of the life of the contract plus five years.