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BEFORE THE ARIZONA CORPORATIC

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

Arizona Corporation Commission

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IN THE MATTER OF THE GENERIC
PROCEEDING CONCERNING ELECTRIC
RESTRUCTURING ISSUES.

DOCKET NO. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S REQUEST FOR A
VARIANCE OF CERTAIN REQUIREMENTS
OF A.A.C. R14-2-1606.

DOCKET NO. E-01345A-01-0822

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

DOCKET NO. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC
POWER COMPANY'S APPLICATION FOR A
VARIANCE OF CERTAIN ELECTRIC
COMPETITION RULES COMPLIANCE
DATES.

DOCKET NO. E-01933A-02-0069

COMMENTS OF ARIZONA PUBLIC SERVICE COMPANY
ON THE TRACK B PROCEEDING

Pursuant to the September 24, 2002 Procedural Order from the assigned Administrative Law Judge ("ALJ"), Arizona Public Service Company ("APS" or "Company") hereby submits its comments on remaining Track B issues and process. These comments consist of (1) a statement of remaining issues that should be addressed at the hearing, and (2) the proposed procedural schedule for the balance of the Track B proceeding.

A. STATEMENT OF ISSUES

Based on the third set of Workshops that concluded on September 27, 2002, and on the draft Staff proposal of September 25, 2002, APS submits the following issues that it believes

1 remain to be addressed at the Track B hearing. This list represents APS' principal substantive
2 issues as of the conclusion of the Track B workshops. It does not necessarily include issues of
3 other parties to this proceeding and cannot include issues that arise from the final Staff
4 Report, which has not yet been issued. Other issues may also develop as the Track B process
5 continues and as additional detail or interpretation is added to the Staff proposal. Subject to
6 the foregoing reservations of rights, APS' substantive issues for the Track B hearing presently
7 include:

- 8 • The unmet needs for APS, including the treatment of local (RMR) generation
9 requirements¹;
- 10 • The release to the utility of Staff's "price to beat" after bid evaluation and but
11 prior to contract acceptance by the utility as well as certain aspects of the
12 proposed implementation of this concept for multi-year deals or deals not
13 having fixed prices;
- 14 • ACC approval of both the process and outcome and implementation of a
15 mechanism to assure full and timely cost recovery of amounts competitively
16 procured at the direction of the ACC;
- 17 • Role of Staff and the Monitor²;
- 18 • Bidder, utility and affiliate communication protocols.

20 **B. PROPOSED PROCEDURAL SCHEDULE**

21 On September 18, 2002, APS filed a response to Staff's Request for a Procedural
22 Order on Track B issues. APS continues to support the schedule and process outlined in
23 Staff's Request for a Procedural Order. If, however, the hearing were scheduled any later than
24

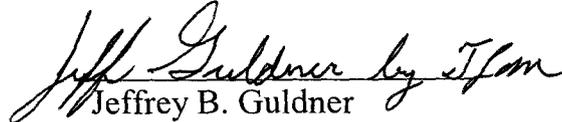
25 ¹ APS does not disagree with Staff's concept of using capacity and energy needs unmet by existing APS
26 resources, with some of the adjustments proposed by Staff (i.e., for future renewable energy amounts necessitated under
the Environmental Portfolio Standard and perhaps RMR), as the basis for "contestable load." But the actual calculation
of this number is subject to a number of assumptions that may need to be better vetted at the hearing.

27 ² This issue was one added by one of the merchant generators. APS believes that Staff's presently proposed role
28 for both itself and the monitor are, subject to its concerns over Commission approval and associated cost recovery
identified above, workable for at least this first competitive solicitation.

1 Staff's proposed November 20, 2002 date, APS would request additional time (on a day for
2 day basis) for preparing prefiled testimony. The same would be true if the final Staff Report
3 is issued after October 25, 2002.

4 RESPECTFULLY SUBMITTED this 1st day of October, 2002.

5 SNELL & WILMER L.L.P.

6 
7 Jeffrey B. Guldner

8 Faraz Sanei

9 PINNACLE WEST CAPITAL CORP.

10 Law Department

11 
12 Thomas L. Mumaw

13 Attorneys for Arizona Public Service Company

14
15 Original and 18 copies of the foregoing
filed this 1st day of October, 2002, with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
Phoenix, AZ 85007

19 Copies of the foregoing mailed, faxed or
20 transmitted electronically this 1st
day of October, 2002, to:

21 All parties of record

22 

23 Vicki DiCola