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July 20, 2006

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED
JUL 20 2006

DOCKETED BY nr

RE: APS Code Of Conduct - Implementing Policies and Procedures
Docket Nos. E-00000A-02-0051 And E-00000A-01-0630

Dear Sir/Madame:

Pursuant to Decision No. 68741 dated June 5, 2006, attached is a copy of Arizona Public Service Company's ("APS") Revised Policies and Procedures that comply with the approved Code of Conduct filed in Docket Control on June 15, 2006. Also enclosed, pursuant to Staff's request, are copies of the Employee Affirmation Statements for Shared Service and Trading Desk Services as described in Part Two – Basic Principles – Section IV of the Code of Conduct.

If you or your staff has any questions, please call me at 602-250-2366.

Sincerely,

Linda A. Thompson
Director
Compliance

LHT/srm

Attachment

CC: Docket Control (Original, plus 15 copies)
Brian Bozzo, Compliance and Enforcement

RECEIVED
2006 JUL 20 P 4: 59
AZ CORP COMMISSION
DOCUMENT CONTROL

THE POWER TO MAKE IT HAPPEN℠

ACC CODE OF CONDUCT POLICY NO. 1	CODE SECTION Part Two -- Basic Principles Sections IV and V
SUBJECT: Affiliate Accounting Policies	

Definitions:

"ACC" means the Arizona Corporation Commission.

"Affiliate" means a separate legal entity that is controlled by, controls, or is under common control with APS.

"APS" means Arizona Public Service Company.

"Arm's Length Transaction" means 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.

"Assets" include real property, depreciable personal property, and intangible property.

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

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the Commission.

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

"Fully Loaded Cost" means the direct cost of a good or service and all applicable indirect charges and overheads.

"Intangible Property" means any asset having no physical existence, its value being set by the rights and anticipated benefits that an owner obtains by possessing it.

"Labor Charges" means direct payroll costs and all related costs such as pension, post employment benefits, health insurance, payroll taxes, etc.

"Liabilities" includes accounts payable, notes payable, lease obligations, debt, pension and other post retirement benefits, deferred compensation, and other employee-related benefits.

"Noncompetitive Services" means unbundled distribution service, Standard Offer Service and other services that have been determined to be noncompetitive services by the Commission.

"Operating Employees" means 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, trading desk employees, and distribution employees. Operating employees do not include employees performing support services in the areas specifically identified in the definition of Shared Services.

"Personal Property" means materials and supplies inventory; depreciable assets such as vehicles, machinery, furniture, fixtures not attached to land, equipment, computer hardware and related software applications; and any other tangible property, which are not goods or real property.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company for APS and other Affiliates.

"Proprietary Information" means written, verbal, or visual information, material, data, or knowledge belonging to APS or an Affiliate that APS or the Affiliate considers to be valuable, confidential, and proprietary. Such proprietary information could be owned by an Affiliate and/or third parties and licensed to an Affiliate. Proprietary information includes trade secrets, data, software, computer programs and related documentation, specifications, documents, methods, inventions, discoveries, drawings, customer lists, and employee or personnel information and records. Proprietary information also includes information and records relating to research, developments, operations or activities of APS, Affiliates, contractors, or others, which have not been generally released to the public by duly authorized representatives of the entity in lawful possession of the same.

Purpose:

The purpose of these Policies is to provide guidelines and standards to ensure compliance with the ACC's regulatory requirements related to Competitive Electric Affiliate relationships. All transactions between APS and its Competitive Electric Affiliates, including the provision of services and transfer of assets and liabilities, shall be accounted for in accordance with these policies.

Policies:

I. APPLICABILITY

These Affiliate Accounting Policies set forth business practices for transactions between APS and its Competitive Electric Affiliates.

II. COMPLIANCE

The Corporate Controller is responsible for issuing, updating, and monitoring compliance with these policies.

III. OVERVIEW

These accounting policies provide guidelines and standards to ensure compliance with regulatory accounting requirements related to Affiliate financial relationships, including those requirements of the Arizona Corporation Commission ("ACC"), the Federal Energy Regulatory Commission ("FERC") and the Securities and Exchange Commission ("SEC"). All transactions between APS and its Competitive Electric Affiliates, including the provision of services and transfer of assets or liabilities, shall be accounted for in accordance with these policies.

It is the policy of APS and Pinnacle West to ensure that the costs related to their Competitive Electric Affiliates are segregated and accounted for separately. Specifically:

- All relationships between APS and its Competitive Electric Affiliates are to be conducted in a manner that prevents subsidization of Competitive Retail Services or Competitive Wholesale Services provided by the Competitive Electric Affiliates through any rate or charge by APS for noncompetitive electric services.

- Compensation or reimbursement for all assets, liabilities, goods or services transferred or provided between APS and its Competitive Electric Affiliates shall be in accordance with these Affiliate Accounting Policies.

- All transactions between APS and its Competitive Electric Affiliates shall be segregated and shall separately account for all costs incurred and revenues received by APS as a result of such transaction.

- All agreements between APS and its Competitive Electric Affiliates for Shared Services must be in writing prior to any Shared Services being provided. The Shared Services agreements must be reviewed by the Compliance Department and signed by the authorized representative of APS and the Competitive Electric Affiliate.

- Copies of the Shared Services agreements are to be retained by the Compliance Department.

IV. SHARED SERVICES GENERAL

Shared services are those corporate support services performed by Pinnacle West or APS on behalf of its Affiliates. These services are organized at Pinnacle West or APS in order to ensure consistency, efficiency and the leverage of resources for the mutual benefit of all Pinnacle West Affiliates. Examples of shared services include, but are not limited to, the following:

- Accounting
- Audit Services
- Contract Management
- Communications
- Corporate Governance
- Energy Risk Management
- Enterprise Finance
- Environmental, Health and Safety
- Facilities
- Human Resources
- Information and Communications Technology
- Insurance
- Law
- Public Affairs
- Regulatory Services
- Risk and Insurance Management, Claims Services and Public Safety
- Security
- Shareholder Services
- System Dispatch
- Tax
- Transportation

Unless specifically authorized in the Code of Conduct, Operating Employees are **prohibited** from providing Shared Services.

Charges for shared services to the various Affiliates are either direct or indirect. Direct charges result from shared services that benefit a single Affiliate and will be directly assigned to that Affiliate in accordance with this policy. Indirect charges are allocated to the appropriate Affiliate based on a measure representing the Affiliate's proportionate relationship to other Affiliates. The allocation method used is based on Pinnacle West's net equity and debt invested in its Affiliates. Pinnacle West's net equity and debt is reported to the Commission on an annual basis in its Affiliated Interests Reports.

A. DIRECT CHARGES

1. Identification:

Direct charges are applicable to those shared services that are assignable to a specific Affiliate based on a causal or beneficial relationship to that Affiliate. Where direct shared services benefit more than one Affiliate, such services may be assigned to more than one Affiliate based on the support provided. In other cases, such services will be based on the actual demands for such services by the Affiliate. Examples of direct support services may include human resources services, information technology support, communications services, and legal services.

2. Charging Methodology:

Direct labor charges will be captured on an "as-provided basis" and charged to a specific account number for that Affiliate, using variable payroll distribution when the provider can specifically identify the actual hours to provide the service. When the service is provided on a regular or monthly basis and the specific Affiliate is not easily identifiable, as in the case of accounts payable or payroll processing, the time to be charged will be based on a time estimate or another measurable quantity (i.e., number of invoices processed or number of employees being paid) to determine the "average" time spent as a percent of total time, with the subsequent use of a payroll fixed distribution.

3. Rationale:

If labor directly benefits specific Affiliates that either request the service or receive a direct benefit from the labor, then the Affiliate must pay for that labor. Direct charges are charged to specific Affiliates based on a causal or beneficial relationship or, in the case of special services requested by the Affiliate, on the basis of the service level provided.

B. INDIRECT CHARGES

1. Identification:

Indirect charges are made for those shared services that are essential for the overall corporate enterprise. An allocation of the associated costs is assigned to each Affiliate. Examples of indirect shared services include preparing consolidated financial statements, filing tax returns, and meetings of the Pinnacle West Board of Directors and shareholder services.

2. Charging Methodology:

Indirect charges are allocated to the appropriate Affiliate based on Pinnacle West's net equity and debt invested in its Affiliates, including APS and its Competitive Electric Affiliates.

3. **Rationale:**
Indirect shared services generally benefit all Affiliates. Because such services represent functions not specifically identifiable to a specific Affiliate, it is impractical to charge those costs to a specific Affiliate as the costs are incurred.

V. GOODS OR SERVICES PROVIDED BETWEEN APS AND AFFILIATES

A. GENERAL

This section provides guidelines for the transfer of goods or services, other than shared services described in Section IV, between APS and its Competitive Electric Affiliate. It provides guidelines to assign monetary value to other goods or services transferred between APS and its Competitive Electric Affiliate. There are two general types of transactions that can occur: Tariffed or Non-tariffed.

1. **Charging Methodology:**

If APS sells tariffed goods or services to its Competitive Electric Affiliates, the price will be at the rates, terms and conditions set forth in the tariff. If APS sells non-tariffed goods or services to its Competitive Electric Affiliates, the price is not to exceed market price.

2. **Recording:**

Charges for goods or services will be calculated by the entity providing the service. Goods or services will be a direct charge to the recipient Affiliate or APS based upon the pricing described above. The entity receiving the goods or services may request an audit of the transaction. APS will record the fully loaded cost of any such goods or services provided by APS, and any corresponding revenues, below-the-line.

a. **Labor:**
No APS employee may perform any work for a Competitive Electric Affiliate unless a written agreement is in place. Where an agreement calls for direct labor, such Labor Charges will be based on the rate for that employee and the actual number of hours devoted to providing services. All direct labor will be priced at Fully Loaded Cost by Corporate Accounting.

b. **Materials:**
Purchases of materials or services by a Competitive Electric Affiliate from APS or by APS from a Competitive Electric Affiliate require the preparation of a requisition form or purchase order. The related costs shall be charged to the appropriate Affiliate charge numbers.

3. Arm's Length Transactions:

Unless otherwise provided in the Code of Conduct, all transactions between APS and its Competitive Electric Affiliates shall be Arm's Length Transactions. The same lawyer or other negotiator may not represent both sides in an Arm's Length Transaction between APS and one of its Competitive Electric Affiliates.

Examples of non-Arm's Length Transaction include:

- If the price is either higher of or lower of Fully Loaded Costs or fair market value.
- Transactions pursuant to a tariff where a price or rate is specified.
- Corporate transactions such as dividends or payments of any entity's share of taxes benefits, or other pass-through costs.
- Shared Services, when accounted for in accordance with Section IV set forth above.

D. TRANSFER OF ASSETS & LIABILITIES

1. Identification:

Transfers of assets include transfers of tangible real or Personal Property and Intangible Property used in a trade or business.

Real property:
Includes, but is not limited to:

- Land
- Buildings
- Improvements
- Easements
- Other real property rights

Personal property:
Includes, but is not limited to:

- Automobiles
- Power-operated equipment
- Computer hardware
- Computer software or application software
- Furniture
- Materials and supplies

Intangible Property:
Includes, but is not limited to:

- Copyrights
- Patent rights
- Royalty interests

- Licenses
- Trademarks
- Other proprietary information

Transfers of liabilities include, but are not limited to, accounts payable, notes payable, lease obligations, debt, pension and other post retirement benefits, deferred compensation and other items related to employees of APS and the Competitive Electric Affiliate.

2. Valuation:
Transfers of Assets and Liabilities between APS and its Competitive Electric Affiliates will be at net book value as of the date of the transfer in accordance with Generally Accepted Accounting Principles and SEC requirements.

3. Recording:
Transfers of Assets or Liabilities will be recorded through a direct charge.

VI. INTER-COMPANY BILLINGS AND REIMBURSEMENTS

A. GENERAL

Billing for inter-company transactions shall be issued on a timely basis, at least monthly, for goods or services and at the time of transfer for Assets or Liabilities. Sufficient detail will be provided to ensure an adequate audit trail and enable prompt reimbursement from the recipient of the assets, liabilities, goods, or services.

B. INTER-COMPANY BILLINGS AND PAYMENTS

Inter-company billing issued for transfers of Assets, Liabilities, goods, or services will be accompanied by or referenced to appropriate supporting documents. Allocations will be based upon methods set forth in these policies or applicable references. Such computations must be documented in order to facilitate verification of the costs of transferred Assets, Liabilities, goods, or services. Costs incurred on behalf of APS or the Competitive Electric Affiliate shall be accumulated, priced, and billed no later than the end of the following month to enable timely payment.

Payments, or formal arrangement for payment, for Assets, Liabilities, goods, or services received from APS or the Competitive Electric Affiliate shall be made no later than 30 days after receipt of an invoice. Inter-company billing and payments shall be adequately documented so that an audit trail exists to facilitate verification of the accuracy and completeness of all billings and reimbursements.

C. RECORDING

The receipt of an inter-company billing shall promptly be recorded in the accounting records of APS or the Competitive Electric Affiliate, whichever receives the billing. Disputes shall not preclude recording of the billing. Adjustments to prices, if necessary, will be proposed and resolved as soon as practicable after the billing is recorded.

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ACC CODE OF CONDUCT POLICY NO. 2	CODE SECTION Part Two – Basic Principles Section III, Section IV.F, Section IV.G, Section IV.I Part Three – Retail Electric Competition Section I.C.
SUBJECT: Access to Information and No Conduit Rule	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"Competitive Electric Affiliate" means those affiliates of APS engaged in Competitive Retail Services or Competitive Wholesale Services.

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

"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.

"Electric Service Provider" or "ESP" means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company of APS and other Affiliates.

"Policies and Procedures" means those policies or procedures developed by APS to implement the Code of Conduct.

"Third Party" means any Electric Service Provider or other market participant other than a Competitive Retail Affiliate that may lawfully provide Competitive Retail Services in Arizona. Where not capitalized in this policy, "third party" has its customary meaning.

"Utility Distribution Company" or "UDC" means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.

Purpose:

The purpose of this policy is to address the provision of various types of information by APS to Competitive Electric Affiliates.

Policy:

1. Confidential Customer Information

Except as permitted by this Policy, or the Code of Conduct, APS shall not provide Confidential Customer Information to any Third Party, including a Competitive Electric Affiliate, unless APS has received *written* authorization from the customer to provide the information to the other party. Customer-specific information subject to this restriction includes, but is not limited to: name and address; credit and payment history; deposit information; load profile and usage data; social security numbers, and billing information. APS may, however, release customer-specific information without such authorization if required by law (such as in response to a subpoena) or if necessary to obtain collection and payment of a delinquent account or if otherwise authorized by statute or an order or regulation of the Arizona Corporation Commission.

2. Non-customer Specific Confidential Information

A. UDC-Specific Information

APS may provide UDC-specific information, which is derived by virtue of APS's status as a UDC and transmission operator, to a Competitive Electric Affiliate only if:

1) the information is concurrently made available to Third Parties under similar terms ***and*** the Competitive Electric Affiliate pays the same amount for the information as APS charges Third Parties; or

2) the information is publicly posted on an Internet Website; or

3) the information is posted on APS's Open Access Same Time Information System (OASIS) site.

UDC-specific information includes, but is not limited to: system resource plans; load growth data; system outage information; extension requests; and transmission access information. Any such information properly requested by a Third Party shall be promptly released to the Third Party.

B. Corporate Administrative Information

APS may provide to Pinnacle West corporate administrative information that is proprietary and confidential. Corporate administrative information includes, but is not limited to: company policies; personnel policies; shared system information; budgets; financial reports; company newsletters and employee-related communications; organization charts and benefits information; and material logistics information systems.

Such information provided by APS to Pinnacle West shall not thereafter be provided to a Competitive Electric Affiliate unless such sharing is for the purpose of administering shared services, joint corporate oversight, governance, support systems or personnel, and the information so provided does not include customer-specific information or UDC- specific information that is not made available to other ESPs in accordance with this policy.

3. No Conduit Rule

An employee who receives Confidential Information or Confidential Customer Information is prohibited from providing that information to any employee of a Competitive Electric Affiliate who is not otherwise permitted to have access to such information pursuant to this Policy or the Code of Conduct.

4. Posting of Inadvertent Disclosures

If there is an inadvertent disclosure of Confidential Information, APS shall promptly post on its public Internet Website the information disclosed as well as a brief description of the circumstances of the disclosure. If there is an inadvertent disclosure of Confidential Customer Information, APS shall post a brief description of the circumstances of the disclosure but shall not publicly post the Confidential Customer Information.

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ACC CODE OF CONDUCT POLICY NO. 3	CODE SECTION Part Two – Basic Principles Section VI.G and Section IX
SUBJECT: Compliance and Issue Resolutions	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

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

"Compliance Department" means the APS Federal Regulation and Compliance Department, or any successor department as designated by APS from time to time, responsible for administering the APS Code of Conduct and corresponding Policies and Procedures.

"Electric Service Provider" or "ESP" means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

"Employee" means an employee of Pinnacle West Capital Corporation and its affiliates or subsidiaries, including all authorized agents, contractors, or supplemental personnel.

"HelpLine" means the telephone number designated that allows Employees, on an anonymous or confidential basis, to voice concerns or complaints. The HelpLine is operated by a third party under contract with APS to receive employee concerns.

"Policies and Procedures" means those policies and procedures developed by APS to implement the Code of Conduct.

Purpose:

The purpose of this policy is to document the process used by the Compliance Department to handle employee concerns regarding violations of the Code of Conduct or its Policies and Procedures.

Policy:

Complaints concerning violations of the Code of Conduct shall be processed under the procedures established in conformance with the practices utilized by the Compliance Department, including the HelpLine, or the Arizona Corporation Commission Compliance Section. Any activity that would constitute engagement in unlawful anticompetitive behavior shall constitute a violation of the Code of Conduct.

The Code of Conduct and all Policies & Procedures are available to Employees on the APS Regulatory Compliance Intranet website.

Scope:

Employees are encouraged, without fear or threat of retribution or intimidation, to raise questions and report any concerns regarding non-compliance with the Code of Conduct and its Policies and Procedures to: their immediate supervisor; the APS Compliance Department; or the HelpLine as described below.

Employees may also contact the ACC Compliance Section as listed below.

Audit Provisions:

Periodic audits regarding APS's compliance with the Code of Conduct and its Policies and Procedures may be performed by the Compliance Department or the Pinnacle West internal audit department. Such internal audits shall not prevent the ACC or its designee from conducting its own audit of APS compliance to the Code of Conduct. Such audits are in addition to any audits requested by the ACC.

Procedures:

Complaint Resolution:

1. Concerns or complaints regarding non-compliance with the Code of Conduct and its Policies and Procedures may be addressed by the Employee in several ways:

    - Contact your immediate supervisor.
    - Contact the Compliance Department - (602-250-2343) or (81-2343) or by email at Compliance@aps.com.
    - Contact the HelpLine - (1-800-446-8441)
    - Contact the ACC Compliance Section - (602-542-4251)

This information shall also be made available to all Employees through:

- The Regulatory Compliance Department's Intra-Company website
- Training programs
- Periodic articles within Company wide publications such as Newsline and "eOn".

2. Each concern or complaint regarding non-compliance with the Code of Conduct and its Policies and Procedures received by the Compliance Department will be assigned to an Employee of the Compliance Department for review and resolution.

3. Callers to the Compliance Department or HelpLine, with a concern or complaint regarding non-compliance with the Code of Conduct and its Policies and Procedures, will be notified that they can remain anonymous (i.e., their identity will not be known should they choose not to provide it.) All calls will be treated confidentially (i.e., the details of the call and the resolution process will only be released to those with a "need to know" in order to investigate and/or resolve the matter).

4. Each concern or complaint regarding non-compliance with the Code of Conduct and its Policies and Procedures received by the Compliance Department will be assigned a unique number when it is received. The number will be provided to the caller as one way for him/her to reference the concern or complaint at a later time. In addition to the concern or complaint number, a unique password will be assigned to each concern and provided to the caller.

5. Callers to the Compliance Department or the Helpline, with a concern or complaint regarding non-compliance with the Code of Conduct and its Policies and Procedures, will be told to call back if they wish to receive a report on the status of the concern they have raised. The unique number and password, given to them at the time of the call, will be required before any information will be provided to the caller.

6. All violations of the Code of Conduct will be documented to show the nature of the violation and the resolution. Documentation will be retained for a period of three years and reported in the annual filing requirements pursuant to Decision No. 68741 (June 5, 2006).

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ACC CODE OF CONDUCT POLICY NO. 4	CODE SECTION Part Two – Basic Principles Section IV.(E - I)
SUBJECT: Shared Services and Contracting for Personnel Services Between APS and Its Competitive Electric Affiliates	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"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 acquired on behalf of APS for Standard Offer Service customers.

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the Commission.

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

"**Compliance Department**" means the APS Federal Regulation and Compliance Department, or any successor department as designated by APS from time to time, responsible for administering the APS Code of Conduct and corresponding Policies and Procedures.

"Operating Employees" means 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, trading desk employees, and distribution employees. Operating employees do not include employees performing support services in the areas specifically identified in the definition of Shared Services.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company of APS and other Affiliates.

"Shared Services" means those support services provided by Pinnacle West or any of its affiliates, including but not limited to; human resources; accounting; corporate governance; 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; legal services; public affairs; and enterprise finance. Unless specifically authorized in this Code of Conduct, Operating Employees are prohibited from providing Shared Services.

Purpose:

The purpose of this policy is to establish general terms and conditions under which APS and its Competitive Electric Affiliates may obtain each other's services.

Policy:

1. 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, and employees performing support services in the areas specifically identified in the definition of Shared Services.

2. Common officers and directors are prohibited from providing Confidential Information to a Competitive Electric Affiliate. Common officers and directors are not permitted to participate during the development of or conduct any Competitive Procurement process, or participate in any subsequent negotiations in which a Competitive Electric Affiliate employing the common officer or director participates as a bidder.

3. A Shared Services attorney or other negotiator shall not represent both APS and its Competitive Electric Affiliate in the same transaction.

4. Shared risk management employees shall not be Operating Employees of either APS or its Competitive Electric Affiliates.

5. All Shared Services employees must be trained regarding the Code of Conduct and certify in writing or electronically that they shall not be a conduit for improperly sharing Confidential Information to Competitive Electric Affiliates.

6. All agreements between APS and its Competitive Electric Affiliates for Shared Services must be in writing prior to any Shared Services being provided. The Shared Services agreements must be reviewed by the Compliance Department and signed by the authorized representative of APS and the Competitive Electric Affiliate.

7. Shared Services agreements must specify the scope of services, fee for services, and duration of the service term. Shared Services agreements must be priced in accordance with APS's ACC Code of Conduct Policy No. 1.

8. If the term of the Shared Services agreement ends and there are no changes to the terms and conditions, the parties to the Shared Services agreement may renew the agreement by signing an extension with a new duration term for services. If the term of the Shared Services agreement ends and the terms and conditions will change, then a new Shared Services agreement must be drafted and entered into in accordance with this policy.

9. Any service outside the scope of services detailed in the Shared Services agreement that APS and its Competitive Electric Affiliates want to provide to the other will require a separate agreement. The agreement must be entered into in accordance with this policy before such services are provided.

10. Copies of the Shared Services and other inter-affiliate agreements shall be retained by the Compliance Department.

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ACC CODE OF CONDUCT POLICY NO. 5	CODE SECTION Part Three – Electric Retail Competition Section I.B.
SUBJECT: ESP Contacts and Requests for Service	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

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

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the ACC.

"Electric Competition Rules" (the Rules) means the Arizona Administrative Code Rule 14-2-1601 through 1617, including all future amendments and modifications.

"Electric Service Provider"or "ESP" means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

"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.

"Utility Distribution Company" or "UDC" means the electric utility entity regulated by the Arizona Corporation Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user's point of delivery on the distribution system.

Purpose:

The purpose of this policy is to:

- Provide all ESPs, including APS Energy Services, with a single point of contact at APS for initiating requests for UDC-provided services and for processing direct access-related requests for service.

- Ensure that APS provides consistent and equitable treatment to all ESPs when handling ESP transactions and requests for UDC-provided services.

- Ensure that APS's actions regarding ESP requests comply with the requirements of the Rules.

Policy:

1. APS shall designate a single point of contact for all ESP requests pertaining to direct access processing as well as requests for UDC-provided services. Such single point of contact (the "Contact Agency") shall be ESP Services or such successor department as is designated by APS from time to time.

2. Requests from all ESPs shall be initiated through the Contact Agency only. Other APS departments and employees shall promptly refer any requests for services received from an ESP to the Contact Agency for handling and processing or shall advise the ESP to make its request to the Contact Agency. These departments and employees shall not begin action on an ESP request for service until notified by the Contact Agency.

3. The Contact Agency shall review ESP requests, assign the appropriate organizations to address the requests, determine the appropriate charges, and bill or cause the ESP to be billed for the services provided.

4. Requests for UDC-provided services from an APS competitive electric affiliate and non-affiliated ESPs shall be processed on a non-discriminatory basis.

5. The Contact Agency may release information relating to an ESP request for UDC-provided services only to those APS departments or employees involved in responding to or providing the requested service. Such information will not be released or made available to Affiliates or other APS departments, employees, or Third Parties.

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ACC CODE OF CONDUCT POLICY NO. 6	CODE SECTION Part Three -- Retail Electric Competition
SUBJECT: Joint Promotion, Sales, and Advertising with a Competitive Electric Affiliate	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"Bill" means the billing invoice by APS for Noncompetitive Services.

"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 by the ACC.

"Electric Service Provider" or "ESP" means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

"Noncompetitive Services" means unbundled distribution service, Standard Offer Service and other services that have been determined to be noncompetitive services by the Commission.

"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.

Purpose:

The purpose of this policy is to address issues regarding non-discriminatory treatment toward Electric Service Providers, including APS's Competitive Retail Affiliate, as it pertains to joint promotions, sales, and advertising.

Policy:

1. APS shall not give a Competitive Retail Affiliate preferential treatment over non-affiliated Electric Service Providers regarding the inclusion of advertising materials in Bills and related customer mailings. If APS includes advertising or promotional materials from its Competitive Retail Affiliate with its Bills, then APS will also offer the same service to any Third Party on the same material terms and conditions.

2. APS employees shall not express a preference for any Competitive Retail Service provided by its Competitive Retail Affiliate or any Third Party to any consumer. APS cannot require the purchase of any Competitive Retail Service from its Competitive Electric Affiliates as a condition to providing Noncompetitive Services.

3. APS shall not state in any advertising, promotional materials, or sales efforts that consumers will receive preferential treatment in the provision of Noncompetitive Services if they purchase services from its Competitive Retail Affiliates. 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.

4. APS employees shall not provide customers with unsolicited information regarding its Competitive Retail Affiliates. APS employees can direct customers who inquire about Competitive Retail Services to the ACC for a list of Electric Service Providers. Upon request, APS employees may provide such customers with a copy of the current ACC list of such providers.

5. APS shall not jointly market its retail services with a Competitive Retail Affiliate.

6. APS shall not jointly sponsor civic, industry, or charity functions and events with a Competitive Retail Affiliate. For those events sponsored by APS, only the APS name and logo will be used. A Competitive Retail Affiliate and APS may participate in the same types of events when a non-affiliated party sponsors the event; however, they must maintain physically separate booths, displays, and/or other facilities. Each facility must bear the name and/or logo of only the company occupying or sponsoring that space or location and may only promote or advertise the services of that company.

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

THE POWER TO MAKE IT HAPPEN℠

ACC CODE OF CONDUCT POLICY NO. 7	CODE SECTION Part Two -- Basic Principles, Section IV.(A – D)
SUBJECT: Separation of Entities	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service.

"APS Security Department" means the department, or any successor department as designated by APS from time to time, responsible for administering the corporation's security program that includes maintaining physical security of the corporation's facilities and employee security at the those facilities.

"Competitive Electric Affiliate" means those affiliates of APS engaged in either Competitive Retail Services of Competitive Wholesale Services.

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the Commission.

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

"Compliance Department" means the APS Federal Regulation and Compliance Department, or any successor department as designated by APS from time to time, responsible for administering the APS Code of Conduct and corresponding Policies and Procedures.

"Electric Service Provider" or "ESP" means an entity authorized by a Certificate of Convenience and Necessity to provide Competitive Retail Services in Arizona.

Purpose:

This policy sets forth measures to ensure that APS maintains appropriate separation from its Competitive Electric Affiliates. Such separation protects against the unauthorized transfer of confidential information and the improper subsidization of its Competitive Electric Affiliates.

Policy:

1. APS shall not allow employees or agents of a Competitive Electric Affiliate to read, review, copy or otherwise have access to information that may not be shared with such employees or agents under the Code of Conduct.

2. To control personnel access to APS offices and facilities, APS shall utilize one or more security systems. Employee access to APS facilities will be granted through security-coded photo identification badges or similar devices. Each business entity's badges shall provide identification of the different business entities.

3. All employees, contractors, visitors, and vendors shall be required to wear identification badges in full view when on secured property. Persons without identification badges will be required to obtain a temporary daily visitor badge.

4. The APS Security Department shall maintain control over the coding of access available to employees. APS Security, or any business group or Affiliate, may request that the Compliance Department make determinations on the status of employee access, as necessary.

THE POWER TO MAKE IT HAPPEN℠

ACC CODE OF CONDUCT POLICY NO. 8	CODE SECTION. Part Two – Basic Principles Section IV.E
SUBJECT: Common Officers and Directors	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"Competitive Electric Affiliate" means those affiliates of APS engaged in either Competitive Retail Services of Competitive Wholesale Services.

"Competitive Procurement" means a process by which power is acquired on behalf of APS for Standard Offer Service customers.

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the ACC.

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

"Line Officers" means an officer directly responsible for operational matters, such as Vice President; Marketing and Trading,; Vice President; Fossil Generation, or Executive Vice President; Energy Delivery.

"Policies and Procedures" means those policies or procedures developed by APS to implement the Code of Conduct.

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

"Support Officers" means those officers' responsible for corporate support, oversight, and governance services, including but not limited to General Counsel, Treasurer, or Chief Financial Officer.

Purpose:

The purpose of this policy is to set forth the circumstances that allow officers and directors of APS to also serve as officers and directors of a Competitive Electric Affiliate as long as such sharing does not result in circumventing any of the Code of Conduct provisions.

Policy:

1. An officer or director of APS may serve as an officer or director of a Competitive Electric Affiliate for purposes of corporate support, oversight, and governance under the conditions of this policy.

2. Subject to the conditions below, the Chief Executive Officer of APS may also serve in that capacity with any Competitive Electric Affiliate. Additionally, APS may share Support Officers, but shall not share Line Officers, with a Competitive Electric Affiliate.

3. Subject to the conditions below, a director of APS also serve as a director of any Competitive Electric Affiliate, provided that the director is not also an officer that is not permitted to be shared under this policy.

4. The sharing of an officer or director shall not result in cross-subsidization, nor shall the sharing of the officer or director result in unfair preferential treatment or unfair competitive advantage for a Competitive Electric Affiliate. The shared support provided by the officer or director shall be priced, reported, and conducted in accordance with APS's Code of Conduct and the Policies and Procedures implementing the Code of Conduct, including APS's Affiliate Accounting Policies.

5. The common officer or director shall not allow or facilitate the transfer of information from APS to a Competitive Electric Affiliate if the transfer of such information is prohibited by the Code of Conduct and its implementing Policies and Procedures.

6. A common officer or director shall not participate during the development or conduct any Competitive Procurement process or in any negotiations in which a Competitive Electric Affiliate employing the common officer or director participates as a bidder.

7. Any common officer who provides Shared Services shall certify either in writing or electronically that he or she will not be a conduit for improperly sharing information as required by Code of Conduct, Policy No. 4 and No. 9.

THE POWER TO MAKE IT HAPPEN℠

ACC CODE OF CONDUCT POLICY NO. 9	CODE SECTION Part Two – Basic Principles Section IV.I and Section VI.E
SUBJECT: Training Policy	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"Competitive Electric Affiliate" means those affiliates of APS engaged in Competitive Retail Services or Competitive Wholesale Services.

"Compliance Department" means the APS Federal Regulation and Compliance Department, or any successor department as designated by Arizona Public Service Company (APS) from time to time, responsible for administering the APS Code of Conduct and corresponding Policies and Procedures.

"Employees" means an employee of Pinnacle West Capital Corporation and its affiliates or subsidiaries, including all authorized agents, contractors, or supplemental personnel.

"Operating Employees" means 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, trading desk employees, and distribution employees. Operating employees do not include employees performing support services in the areas specifically identified in the definition of Shared Services.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company of APS and other Affiliates.

"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; corporate governance; tax; insurance; risk and insurance management; claims services; 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; legal services; public affairs; and enterprise finance. Unless specifically authorized in this Code of Conduct, Operating Employees are prohibited from providing Shared Services.

Purpose:

The purpose of this policy is to ensure that APS and its Competitive Electric Affiliates Employees that are likely to be engaged in activities subject to the Code of Conduct understand and comply with the APS Code of Conduct and its corresponding Policies and Procedures.

Policy:

All affected Employees of APS and its Competitive Electric Affiliates are required to complete training regarding the APS Code of Conduct and the associated Policies and Procedures. Training on the Code of Conduct shall include, but not limited to, the following:

1. Program Description

The Code of Conduct Training course content includes:

(A) A review of the Code of Conduct.

(B) The identification and discussion of the sections of the Code of Conduct.

(C) The identification and discussion of the Code of Conduct's implementing Policies and Procedures.

(D) The use of participatory exercises that reflect some of the typical workplace scenarios those employees may encounter. Employees must identify the Code of Conduct related issues within the scenarios and develop responses that are appropriate and that comply with the provisions of the Code of Conduct and Policies and Procedures.

(E) A discussion on how Employees may report any concerns regarding the Code of Conduct without fear or threat of retribution or intimidation for raising such concerns or questions.

(F) A discussion regarding the consequences of non-compliance.

2. Participants

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 who are likely to be engaged in activities subject to the Code of Conduct.

Each Employee of APS and its Competitive Electric Affiliates who is required to complete the training shall certify, either in writing or electronically, that he or she shall abide by all of the provisions set forth in the Code of Conduct.

3. Program/Requirement Changes and Revisions

The course content and materials shall be updated as appropriate and subsequent training sessions shall be conducted as needed.

THE POWER TO MAKE IT HAPPEN℠

ACC CODE OF CONDUCT POLICY NO. 10	CODE SECTION. Part Four - Competitive Procurement
SUBJECT: Competitive Procurement	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"Competitive Electric Affiliate" means an affiliate of APS engaged in either Competitive Retail Services or Competitive Wholesale Services.

"Competitive Procurement" means a process by which power is acquired on behalf of APS for Standard Offer Service customers.

"Competitive Retail Services" means unbundled generation, unbundled metering, unbundled meter reading, and other retail electric services that have been determined to be competitive services by the ACC.

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

"Demand Side Management" or "DSM" means the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kw"), and /or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

"Environmental Portfolio Standard" means the current Arizona Administrative Code Rule 14-2-1618 that defines APS's requirements to acquire renewable energy resources and the ACC approved rate for APS to recover reasonable and prudent costs of complying with these Rules.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company of APS and other Affiliates, or a wholesale power trading company that is created in the future as a subsidiary of Pinnacle West Capital Corporation to assume Pinnacle West Capital Corporation's wholesale power contracts.

"Renewable Energy Standard and Tariff" means the proposed Arizona Administrative Code Rule 14-2-1801 through 1815 that defines APS's requirements to acquire renewable energy

resources and the mechanism for establishing the ACC approved tariff for APS to recover reasonable and prudent costs of complying with these Rules.

"**Standard Offer Service**" means the bundled provision of retail electric service.

Purpose:

The purpose of this policy is to ensure that APS conducts any Competitive Procurement in accordance with the Code of Conduct.

Applicability:

This Policy and its requirements apply to Competitive Procurement of power by APS. They do not apply in cases of emergencies or for short-term acquisitions that are necessary to maintain system reliability. Unless otherwise stated, this Policy does not apply to transactions to satisfy APS's obligations under the ACC's Environmental Portfolio Standard or Renewable Energy Standard and Tariff, or to Demand Side Management programs.

Policy:

A. Competitive Procurement of Power

1. Competitive Procurement of power may occur through the following procurement methods:

   a. Purchases through third-party, on-line trading systems;

   b. Purchases from qualified third-party, independent energy brokers;

   c. Purchases from non-affiliated entities through auctions or a request for proposals process;

   d. Bilateral contracts with non-affiliated entities; and

   e. Bilateral contracts with affiliated entities, but only if APS gives prior notice, as set forth in Section C below, to non-affiliated entities through its Competitive Procurement website of the proposed contract and provides those non-affiliated entities an opportunity to beat that proposed bilateral contract.

2. Competitive Procurement may not occur through any other method until that method has been approved by the ACC.

B. Participation of a Competitive Electric Affiliate

1. APS shall not give preferential treatment to any Competitive Electric Affiliate in any Competitive Procurement or in the procurement of Demand Side Management, or in transactions to meet APS's obligations under the Environmental Portfolio Standard or the Renewable Energy Standard and Tariff.

2. If a Competitive Electric Affiliate participates in a Competitive Procurement request for proposals or auction process:

   a. ACC Utilities Division Staff shall select an independent monitor to oversee the process.

   b. Except as provided in Section B.2.c. below, APS or Pinnacle West personnel conducting or advising the Competitive Procurement shall not communicate with personnel involved in the preparation of a Competitive Electric Affiliate's bid regarding the Competitive Procurement, *unless* such communication is contemporaneously posted on the Competitive Procurement website.

   c. A Competitive Electric Affiliate may attend bidders' conferences and other public meetings regarding a Competitive Procurement.

C. Bilateral Affiliate Agreements

1. Before executing a bilateral contract with a Competitive Electric Affiliate for competitive procurement, APS shall post a notice on its Competitive Procurement website that APS intends to enter into such a contract and e-mail notification of the posting to representative of all Western Systems Power Pool members that have contractual arrangements with APS.

2. APS shall post the notice and provide e-mail notification to potential bidders at least 24 hours prior to executing the contract with the Competitive Electric Affiliate.

3. The notice shall provide general information about the terms of the proposed contract and an APS representative's name, address, telephone number and email address to obtain additional information related to the contract.

D. Recordkeeping

APS shall retain the following information for the life of the contract plus five (5) years:

1. Detailed records of all contacts between APS and a Competitive Electric Affiliate, including employees and contractors, regarding any Competitive Procurement in which a Competitive Electric Affiliate has participated; and

2. Copies of bilateral power contracts between APS and a Competitive Electric Affiliate.

THE POWER TO MAKE IT HAPPEN℠

CODE OF CONDUCT POLICY NO. 11	CODE SECTION. Part Two – Basic Principles Section IV (I)
SUBJECT: Provision of Trading Floor Services By APS	

Definitions:

"ACC" means the Arizona Corporation Commission.

"APS" means Arizona Public Service Company.

"APS Pinnacle West Trader" means an employee of APS's Marketing and Trading Department that provides Trading Desk Services to Pinnacle West.

"APS Trader" means an employee of APS's Marketing and Trading Department that provides Trading Desk Services to APS.

"Back Office Support Services" means accounting, legal, and compliance-related services.

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

"Compliance Department" means the APS Federal Regulation and Compliance Department, or any successor department as designated by APS from time to time, responsible for administering the APS Code of Conduct and corresponding Policies and Procedures.

"Employees" means an employee of any of the Pinnacle West Capital Corporation and its affiliates or subsidiaries, including all authorized agents, contractors, or supplemental personnel.

"Operating Employees" means 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, trading desk employees, and distribution employees. Operating employees do not include employees performing support services in the areas specifically identified in the definition of Shared Services.

"Pinnacle West" means Pinnacle West Capital Corporation, the parent holding company of APS and other Affiliates, or a wholesale power trading company that is created in the future as a subsidiary of Pinnacle West Capital Corporation to assume Pinnacle West Capital Corporation's wholesale power contracts.

"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; corporate governance; tax; insurance; risk and insurance management; claims services; 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; legal services; public affairs; and enterprise finance. Unless specifically authorized in this Code of Conduct, Operating Employees are prohibited from providing Shared Services.

"Trading Books" means accounting books that record transactions with counterparties relating to the purchase or sale of energy or capacity.

"Trading Desk Services" means offering to buy or sell energy or capacity, including both financial and physical transactions, or engaging in discussions with a counterparty that could lead to such an offer.

"Transmission-Related Services" means services relating to the transmission or delivery of power, including such services as acting as a scheduling coordinator, complying with North American Electric Reliability Council or Western Electric Coordinating Council requirements, and complying with Open Access Transmission Tariff requirements.

Purpose:

The purpose of this policy is to ensure that APS complies with the Trading Floor requirements in the Code of Conduct if it provides Trading Desk Services to Pinnacle West.

Applicability:

This Policy and Procedure applies if APS Marketing and Trading employees provide Trading Desk Services to Pinnacle West.

Policy:

1. <u>Provision of Trading Desk Services to Pinnacle West</u>

APS may provide Trading Desk Services to Pinnacle West only if the following provisions are met:

(A) Trading Desk Services to Pinnacle West shall be provided only by APS Pinnacle West Traders.

(B) APS Traders shall not provide Trading Desk Services to Pinnacle West.

(C) APS Pinnacle West Traders shall not provide Trading Desk Services to APS.

(D) All costs of providing such Trading Desk Services shall be allocated such that APS ratepayers do not subsidize the costs of providing any non-APS Trading Desk Services.

(E) All costs of providing Support Services and Transmission-Related Services shall be allocated such that APS ratepayers do not subsidize the costs of providing any non-APS Support Services or non-APS Transmission-Related Services.

(F) Any employee who transfers from being an APS Pinnacle West Trader to being an APS Trader, or who transfers from being an APS Trader to being an APS Pinnacle West Trader must notify the Regulatory Compliance Department prior to the transfer. APS shall report all such transfers each year in its annual report of employee transfers pursuant to the Code of Conduct.

(G) Any APS employee who supervises APS Pinnacle West Traders shall not provide Trading Desk Services for APS, and all costs associated with supervising APS Pinnacle West Traders shall be allocated such that APS ratepayers do not subsidize the costs of APS Pinnacle West Traders.

2. Sales of Power to a Competitive Electric Affiliate

If APS sells energy or capacity to a Competitive Electric Affiliate, the sale must be an Arm's Length Transaction regardless of whether it is made under a FERC-approved Market Based Rate Tariff or a cost-based rate.

3. Purchases of Power from a Competitive Electric Affiliate

If APS buys energy or capacity from a Competitive Electric Affiliate, the purchase must comply with APS's Competitive Procurement Policy.

4. Accounting Requirements

APS shall maintain distinct Trading Books for Pinnacle West wholesale power transactions and APS wholesale power transactions. These Trading Books shall reflect the parties involved in a wholesale power transaction, including the beneficial owner of a transaction if a wholesale power contract is held in a different name.

5. Training Requirements

Each year, APS shall train all APS Pinnacle West Traders and all APS Traders regarding the Code of Conduct. At the conclusion of such training, each employee trained shall sign a certification that he or she will not be a conduit for improperly sharing information. APS's Regulatory Compliance Department shall retain such certifications for three years from certification.

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ARIZONA PUBLIC SERVICE COMPANY
CODE OF CONDUCT
AFFIRMATION STATEMENT
TRADING FLOOR SERVICES

Pursuant to Arizona Public Service Company's ("APS") Code of Conduct [Part Two – Basic Principles Section IV(I), Policy No.11], I, (Print Employee's name), performing Trading Desk Services on behalf of Pinnacle West Capital Corporation, attest to the following:

- I have read and understand the Code of Conduct and it's implementing Policies and Procedures.
- I have completed and understand all required training relating to the Code of Conduct including the No Conduit Rule.
- I understand and agree that I will not be a conduit for improperly sharing proprietary or confidential information.
- I understand the ramifications for violating the Code of Conduct and its implementing Policies and Procedures.

_____ _____
Employee Signature Date

_____
HR ID

This Affirmation Statement will be kept on file with the Federal Regulation and Compliance Department for a period of three (3) years from date of signature.

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ARIZONA PUBLIC SERVICE COMPANY
CODE OF CONDUCT
AFFIRMATION STATEMENT
SHARED SERVICES

Pursuant to Arizona Public Service Company's ("APS") Code of Conduct [Part Two – Basic Principles Section IV(E-I), Policy No. 4], I, (Print Employee's name), as an APS Employee providing Shared Services, attest to the following:

- I have read and understand the Code of Conduct and it's implementing Policies and Procedures.
- I have completed and understand all required training relating to the Code of Conduct including the No Conduit Rule.
- I understand and agree that I will not be a conduit for improperly sharing proprietary or confidential information.
- I understand the ramifications for violating the Code of Conduct and its implementing Policies and Procedures.

_____ _____
Employee Signature Date

_____
HR ID

This Affirmation Statement will be kept on file with the Federal Regulation and Compliance Department for a period of three (3) years from date of signature.

THE POWER TO MAKE IT HAPPEN℠

ARIZONA PUBLIC SERVICE COMPANY
CODE OF CONDUCT
AFFIRMATION STATEMENT
TRADING FLOOR SERVICES

Pursuant to Arizona Public Service Company's ("APS") Code of Conduct [Part Two – Basic Principles Section IV(I), Policy No.11], I, (Print Employee's name), as an APS Trader, attest to the following:

- I have read and understand the Code of Conduct and it's implementing Policies and Procedures.
- I have completed and understand all required training relating to the Code of Conduct including the No Conduit Rule.
- I understand and agree that I will not be a conduit for improperly sharing proprietary or confidential information.
- I understand the ramifications for violating the Code of Conduct and its implementing Policies and Procedures.

_____ _____
Employee Signature Date

_____
HR ID

This Affirmation Statement will be kept on file with the Federal Regulation and Compliance Department for a period of three (3) years from date of signature.