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CAPITAL CORPORATION

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AZ CORP COMMISSION
DOCUMENT CONTROL

March 31, 2003

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

Re: SECONDARY PROCUREMENT PROTOCOL UNDER DOCKET NOS. ~~02-0051~~
~~02-0051~~ E-01345A-01-0822, E-00000A-01-0630, and E-01933A-02-0069

Dear Sir or Madam:

Pursuant to Decision No. 65743 (March 14, 2003), Arizona Public Service Company ("APS") was ordered to file for Commission approval a Secondary Procurement Protocol. APS hereby submits the attached required Secondary Procurement Protocol.

If you or Commission Staff have any questions, please feel free to call me.

Sincerely,

Karilee S. Ramaley
Senior Attorney

Attorney for Arizona Public Service Company

Attachment

cc: Docket Control (Original, plus 18 copies)
Parties of Record
Alan Kessler, Independent Monitor

Arizona Corporation Commission

DOCKETED

MAR 31 2003

DOCKETED BY	
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Arizona Public Service Company

Secondary Procurement Protocol

March 30, 2003

Pursuant to Arizona Corporation Commission (“Commission”) Decision No. 65743 (March 14, 2003), APS proposes the following Secondary Procurement Protocol to meet the objectives of the Decision while maximizing APS’ ability to reliably meet native load retail customer needs at the lowest reasonable cost.

Protocol

APS will procure for its native load retail customers energy and capacity not acquired through the Initial Track B Competitive Procurement Process through one or more of the methods listed below. The decision to use any specific one or combination of such methods in a particular instance, however, will be at APS’ sole discretion.

1. Purchases through third party, on-line trading systems, which may include one or more of the following: Intercontinental Exchange (“ICE”), Bloomberg, California Independent System Operator, New York Mercantile Exchange, or other similar on-line third party systems.
2. Purchases from qualified, third party independent energy brokers.
3. Purchases through an Internet-based descending clock auction administered by APS.
4. Bilateral contracts with non-affiliated entities.
5. Bilateral contracts with affiliated entities. If APS proposes to procure energy or capacity from an affiliate through a bilateral contract, however, APS will, through its Competitive Procurement Website, provide non-affiliated entities an opportunity to beat any proposed contract before executing the transaction.
6. Any other procurement process approved by the Commission.

Scope

This Secondary Procurement Protocol shall apply only to:

- Energy and capacity for native load customers not acquired through the Initial Track B Competitive Procurement Process and not required for emergencies or to satisfy APS' obligations under the Commission's Environmental Portfolio Standard.
- Native load physical hedge transactions required to manage APS system load energy and reliability risk.

Code of Conduct Compliance

APS and any affiliate providing capacity or energy as a result of this Secondary Procurement Protocol shall comply with applicable Codes of Conduct.