

 ORIGINAL

PINNACLE WEST
CAPITAL CORPORATION



0000100121

RECEIVED

2001 SEP -5 P 3:11

Donald G. Robinson
Vice President

Regulation and Planning

ARIZONA CORPORATION COMMISSION
REGULATORY CONTROL

September 5, 2001

Ms. Lyn Farmer
Chief Hearing Officer
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, AZ 85007

Re: Arizona Corporation Commission Procedural Order of August 3, 2001
In Docket No. E-00000A-01-0630

Dear Ms. Farmer:

Attached please find the Comments of Arizona Public Service Company in response to your Procedural Order dated August 3, 2001. If you or other Commission personnel have any further questions, please contact me at your convenience.

Sincerely,

cc: Steve Olea, Acting Director
Christopher Kempley, Chief Counsel

Arizona Corporation Commission

DOCKETED

SEP 05 2001

DOCKETED BY	
-------------	--

Comments on the AzISA

Issue No. 1:

State and discuss the purpose of the AISA.

Response No. 1:

The purpose of the AzISA was to facilitate, through the use of a collaborative stakeholder process, the development and approval of common direct access protocols to allow all scheduling coordinators fair and comparable treatment. This has been accomplished. The AzISA would also have provided dispute resolution of transmission-related direct access issues between transmission-owning utilities and ESPs had there been any such disputes.

Issue No. 2:

State and discuss the necessity of the AISA and whether it contributes (or not) to the development of retail competition.

Response No. 2:

As stated above, the AzISA was important in facilitating the implementation of direct access protocols. Thus, it has already fulfilled one of its primary roles in the development of retail electric competition. If for any reason the AzISA ceased to exist, all the Affected Utilities should commit to keeping or including the AISA protocols in their OATT's until the formation of the RTO.¹ As to the role of the AzISA in dispute resolution, such role is essentially moot until such time as retail competition is active within the Affected Utilities' service areas (Note: no competition is presently authorized within the service areas of the cooperatives and Citizens; and since SRP has withdrawn from the AzISA, the AzISA also has no impact on the development of retail competition in that service area.)

Issue No. 3:

State and discuss the functions of the AISA.

Response No. 3

The AzISA bills and collects assessments from AISA participants to fund its operations, which include participation in various FERC matters. As discussed in response to both Questions 1 and 2, its role in developing and implementing direct access protocols has been accomplished, and its secondary function to provide dispute resolution has been rendered unnecessary to date.

Issue No. 4:

State and discuss the costs of the AISA. (How many employees, what they do on a daily basis, etc.)

¹ There would be the need for minor textual changes in the OATTs to delete references to the AzISA and the Executive Director thereof.

Response No. 4:

There are two employees, the acting executive director and an administrative assistant. Their salaries amount to some \$200,000 (including benefits) Legal fees account for another \$200,000 plus. The AzISA also incurs costs for D&O insurance (\$47,000), typical office expenses (e.g. rent, postage, etc., amounting to roughly \$36,000) and \$12,000 for travel and entertainment. APS has no knowledge of what AzISA employees do on a day-to-day basis or why the AzISA is incurring such legal fees.

Issue No. 5:

State and discuss the need to continue the AISA. (If the AISA is terminated, how will independent transmission oversight be managed?)

Response No. 5:

If the AzISA were terminated prior to the formation and operation of a RTO, and the Affected Utilities retained the AzISA retail access protocols in their OATTs, FERC would have direct responsibility for oversight of those protocols and for transmission-related dispute resolution.

Issue No. 6:

State and discuss the timing and procedures for terminating the AISA. (Discuss the legal ramifications of withdrawing funding.)

Response No. 6:

So far as APS is aware, only the AzISA Board can vote to "terminate" the organization. The only "funding" that the AzISA receives is through FERC-approved assessments on transmission system usage in Arizona. Thus, FERC approval would be needed to end that funding.

Issue No. 7:

State and discuss the AISA relationship to and with Desert Star.

Response No. 7:

There is no direct relationship between the AzISA and Desert STAR. AzISA has always been intended to be an interim organization, as stated in the preamble to its By-Laws, and was designed as a statewide rather than regional organization.

The Arizona Independent Scheduling Administrator Association (AISA) is a voluntary, non-profit Arizona corporation intended to become operational by January 1, 1999, as an interim electric transmission scheduling administrator and central Open Access Same-Time Information System (OASIS) provider formed to facilitate the operation of Arizona's competitive electric retail market until a regional independent system operator, currently known as Desert STAR, becomes operational.

The development of the AzISA's protocol manual was conducted separately from the Desert STAR development efforts. The purpose, organization, functions, operations and procedures of the AzISA are significantly different than those currently being considered for Desert STAR.

Issue Number 8:

State and discuss the AISA relationship to and with any regional (multi-state) ISO or RTO that will serve Arizona.

Response No. 8:

See 7 above.

Issue No. 9:

Address the legal ramifications to the APS and TEP settlement agreements if those utilities are no longer required to support the AISA.

Response No. 9:

There would be no legal ramifications for APS. The APS Settlement Agreement is separate from and independent of the Electric Competition Rules. If A.A.C. R14-2-1609 ("Rule 1609") had been amended or waived such that Affected Utilities were not longer required to participate in the AzISA prior to the formation of a RTO, the APS Settlement Agreement would still have required APS to support the AzISA unless all other signatories to the Agreement permitted APS to withdraw its support. Even if Rule 1609 had been amended to prohibit APS participation in the AzISA, APS would be forced to seek a waiver of the amended Rule 1609 under amended Section 7.1 of the Settlement Agreement. If such waiver were denied, APS would, of course have, to follow the Commission's directives per that same provision of the APS Settlement.

As it is, APS has already rendered such support to the AzISA as was necessary and appropriate. It provided much of the AzISA's initial funding and helped in the development of the direct access protocols. It has incorporated these protocols into the Company's FERC-approved OATT. Today, APS does not serve on the AzISA Board, the protocols have been developed, and no additional direct funding is required. Thus, it is not clear what additional support, other than moral or political, APS is in a position to provide to or withhold from the AzISA.

Issue No. 10:

State and discuss any other relevant/pertinent items/information that you believe the Commission should consider regarding the AISA.

Response No. 10:

The existence of the AzISA is less an issue that its continued level of cost. APS will continue to urge the AzISA Board to significantly reduce expenditures by the organization to the bare minimum. APS will also press on with RTO formation, which will obviate the issue of the AzISA.