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CORPORATION COMMISSION

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DOCKET NO.

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01345A-98-0473  
ARIZONA PUBLIC SERVICE COMPANY FOR )  
APPROVAL OF ITS STRANDED COST )  
RECOVERY. )

IN THE MATTER OF THE FILING OF ) DOCKET NO. E-01345A-97-0773  
ARIZONA PUBLIC SERVICE COMPANY OF )  
UNBUNDLED TARIFFS PURSUANT TO A.A.C. )  
R14-2-1601 et.seq. )

IN THE MATTER OF THE COMPETITION IN ) DOCKET NO. RE-00000C-94-0165  
THE PROVISION OF ELECTRIC SERVICES )  
THROUGHOUT THE STATE OF ARIZONA. )

COMMENTS OF THE ARIZONA TRANSMISSION  
DEPENDENT UTILITY GROUP ON THE  
PROPOSED CODE OF CONDUCT FOR ARIZONA  
PUBLIC SERVICE COMPANY

The Arizona Transmission Dependent Utility Group<sup>1</sup> ("ATDUG"), by its undersigned counsel, herewith submits its comments on the proposed Code of Conduct to substitute for the interim Code of Conduct filed by Arizona Public Service Company ("APS"), pursuant to Procedural Order dated November 9, 1999.

DEFINITIONS

The definitions used in the proposed revised Code of Conduct are too limited. The definitions recognize that APS will be providing other than "distribution service" but confines the Code of Conduct to distribution service only. The Code of Conduct should apply to all services provided by

<sup>1</sup> Aguila Irrigation District, Ak-Chin Indian Community, Buckeye Water Conservation and Drainage District, Central Arizona Water Conservation District, Electrical District No. 3, Electrical District No. 4, Electrical District No. 5, Electrical District No. 7, Electrical District No. 8, Harquahala Valley Power District, Maricopa County Municipal Water District No. 1, McMullen Valley Water Conservation and Drainage District, Roosevelt Irrigation District, City of Safford, Tonopah Irrigation District, Wellton-Mohawk Irrigation and Drainage District.

1 APS that are regulated by the Commission. Furthermore, the definitions limit  
2 the applicability of the Code of Conduct to APS and do not purport to set a  
3 standard for the conduct of any affiliate or Pinnacle West Capital  
4 Corporation. At the very least, APS should be required to do what it can to  
5 prevent activities barred by the Code of Conduct from being conducted by  
6 Pinnacle West or another affiliate.

7 **FINANCIAL**

8 The subsidization provision is limited to "competitive electric  
9 services" while the segregation provision refers to "business activities" of  
10 affiliates. The latter term should be used in both places.

11 **SEPARATION OF FUNCTIONS**

12 There should be some explanation of what constitutes a "significant"  
13 opportunity for cross-subsidization and what does not. Moreover, someone  
14 should explain how common directors and officers can separate competitive  
15 information gleaned in one meeting from coloring actions in another meeting  
16 making decisions about another affiliate. Perhaps there could be some  
17 separation of the left brain from the right brain. Otherwise, common  
18 directors and officers will have uncommon if not impossible conduct  
19 requirements.

20 The addition of subsection 4.2.5 does not speak to the issue of  
21 provision of ancillary services or other services as defined in H.B.2663.  
22 More clarity is needed in understanding where APS believes it can operate in  
23 a free market without regulatory control now or in the future.



1 Copies of the foregoing mailed  
2 this 6<sup>th</sup> day of December, 1999,  
3 to:

4 Service List for Docket No. E-01345A-98-0473

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