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DOCKET NO. RE-00000A-94-0165

DOCKET NO. E-01345A-97-0773

DOCKET NO. E-01345A-98-0473

RE: APS Code of Conduct; ACC Docket Nos. ~~E-01345A-94-0165, et al.~~

Dear Ms. Scott:

Pursuant to Arizona Corporation Commission ("Commission") Procedural Order dated November 9, 1999 and A.A.C. R14-2-1616, Arizona Public Service Company ("APS" or "Company") submits its final proposed Code of Conduct. Upon its approval by the Commission, this Code of Conduct will supercede and replace the Interim Code of Conduct previously filed with the Commission on October 28, 1999.

The Company has carefully reviewed and considered the comments submitted by Commission Staff's outside consultant and other interested parties in formulating its final proposed Code of Conduct. This has led to several changes from the Interim Code of Conduct. In addition, APS has attempted to more clearly articulate certain portions of the Code of Conduct and define previously undefined terms. To aid you and others in your review of the final proposed Code of Conduct, the Company has provided a red-lined version showing all changes from the Interim Code of Conduct.

At Staff's recommendation, APS has referenced in its final Code of Conduct the written policies and procedures ("P&Ps") necessary to implement the Code. It was always the Company's intent to have such P&Ps as a supplement to the Code of Conduct, but APS agrees with Staff's consultant that a reference to these P&Ps should be expressly included in the Code of Conduct. APS is in the process of completing the last of its P&Ps and will be submitting them by the beginning of next week for Staff's use in evaluating the final proposed Code of Conduct. Although the P&Ps will necessarily be used by the Company and can be used by the Commission in making interpretations of and in determining compliance with the Code of Conduct, APS believes very strongly that the P&Ps should not be considered a formal part of the Code of Conduct. This is because the P&Ps must be capable of modification as experience warrants without the obvious delay and expense that will accompany formal commission review and approval of proposed changes in the Code of Conduct itself under either our or your consultant's suggested process for such changes.

# Snell & Wilmer

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Enron also provided extensive comments on the Company's Interim Code of Conduct. In this final version, APS has included language to prevent the possible misuse of common governance and shared services along the lines suggested by Enron. It has also agreed to better defining what is meant by non-discriminatory handling of direct access service requests and will, as requested, provide its P&Ps to parties such as Enron.

Both Staff's outside consultant and Enron recommended that the Code of Conduct expressly incorporate the complaint process from Rules 1616 and 212. APS has made this change in its final proposal.

For several reasons, APS did not accept many of the other recommendations of Staff's outside consultant or Enron. In some instances, these comments were little but reassertions of arguments already made and rejected by the Commission. In other instances, there were proposed restrictions on APS' internal conduct that had nothing to do with the Company's relationship with an affiliate, and thus are outside the scope of this proceeding. APS' more fundamental objections can be categorized into the following four areas:

- 1) provisions that would expand the Code of Conduct to include non-jurisdictional affiliates of APS;
- 2) provisions that would create Code of Conduct restrictions outside the parameters of Rule 1616 or even old Rule 1617;
- 3) provisions that could interfere with the fiduciary responsibility of Pinnacle West Capital Corporation officers and directors or otherwise negate the concept of "common governance and oversight"; and
- 4) provisions that unlawfully restrict the rights of APS and others.

The purpose of the Code of Conduct required by Rule 1616 and, prior to that, the affiliate provisions of old Rule 1617, were to prevent APS' distribution service from subsidizing or otherwise favoring its affiliated provider of competitive retail electric services. To the extent APS has other affiliates that do not provide such services, they are still subject to the Commission's general restrictions on affiliate transactions with APS under A.A.C. R14-2-801, *et seq.*, and, of course, the Commission's inherent power to disallow for ratemaking purposes imprudent affiliate costs charged to or borne by APS. However, there has been no showing that electric utilities in general and APS in particular should be subject to restrictions and burdens on their non-jurisdictional affiliates not imposed on telephone, natural gas, or water and sewer utilities. Finally, in the case of affiliates that will provide only wholesale electric service, they are subject to exclusive FERC jurisdiction.

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Staff has publicly conceded that old Rule 1617 was overly restrictive. Yet the Staff consultant has gone beyond even that rejected regulation in some of her proposals. Such suggestions should be rejected out-of-hand. For example, old Rule 1617 allowed APS Energy Services to contract with APS for services - the Staff consultant's proposal would not. Neither Rule 1616 nor old Rule 1617 restricted intracompany activities by APS - probably because APS itself will not be engaged in providing competitive electric services - but the Staff consultant and to a lesser extent, Enron, would impose such new restrictions.

Although APS has agreed with Enron that common officers and directors should not serve as a conduit for otherwise impermissible exchanges of information and that safeguards against such are appropriate, Staff's consultant would flatly prohibit, for example, Mr. Bill Post from serving as Chairman of the Board for both APS and APS Energy Services, even though he serves in such a position for all other Pinnacle West subsidiaries and has a fiduciary responsibility to stay informed about and be involved in all areas of Pinnacle West's business. APS can not accept such restrictions.

Finally, and only as an illustrative example, the Staff consultant would flatly prohibit the advertisement of competitive electric services by any ESP in APS billings (not just if done only for an affiliate ESP or not just if otherwise done on a discriminatory basis). Over twenty years ago, the United States Supreme Court found similar state restrictions to be violations of the First and Fourteenth Amendments. Moreover, the Arizona Supreme Court has held, in a case involving the Commission, that the Arizona Constitution's protection of commercial free speech is even broader than that of the federal constitution, and thus the Staff consultant's position is particularly inappropriate in this jurisdiction.

APS looks forward to responding to any final comments of Staff and other parties at an appropriate time, as well as any inquiries from the Presiding Officer or the Commissioners. In the meanwhile, please feel free to contact me with any questions you might have.

Sincerely yours,

Snell & Wilmer, L.L.P.



Thomas L. Mumaw

cc: Carl J. Kunasek, Chairman  
Jim Irvin, Commissioner  
William A. Mundell, Commissioner  
Jerry Rudibaugh  
Lyn Farmer, Esq.  
All Parties of Record

# ARIZONA PUBLIC SERVICE COMPANY

## Code of Conduct

Arizona Public Service Company ("APS") is committed to establishing standards of conduct that will produce confidence in the integrity of the competitive retail electric market and that will be consistent with the requirements of the Electric Competition Rules.

The following Code of Conduct shall apply to APS and, where indicated, its Affiliates.

### **1 Definitions**

- 1.1 "ACC" means the Arizona Corporation Commission.
- 1.2 "Affiliate Interest Rules" means A.A.C. R14-2-801, et. seq.
- 1.3 "APS" means Arizona Public Service Company in its capacity of providing Distribution Service and any other electric services permitted by law.
- 1.4 "Competitive Electric Affiliate" means a business enterprise related to APS in the manner described in A.A.C. R14-2-801 (1) that is also an Electric Service Provider; hereinafter referred to as "Affiliate" or "Affiliates".
- 1.5 "Distribution Service" means those services described in A.A.C. R14-2-1601 (14), i.e., "the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission."
- 1.6 "Electric Competition Rules" means A.A.C. R14-2-1601, et. seq.
- 1.7 "Electric Service Provider" or "ESP" means a company supplying, marketing, or brokering at retail competitive electric services pursuant to a Certificate of Convenience and Necessity. This term has the same definition as in A.A.C. R14-2-1601 (16).

## **2 General**

- 2.1 All employees and authorized agents of APS shall conduct their activities in compliance with the requirements of this Code of Conduct.
- 2.2 Failure to conduct activities in compliance with this Code of Conduct will subject the employee or agent to disciplinary actions described in Section 7.
- 2.3 APS shall adopt and follow written policies and procedures regarding the implementation of this Code of Conduct.

## **3 Financial**

- 3.1 *Subsidization.* APS shall not subsidize the competitive electric services provided by an Affiliate through any charge for goods or services which is not in conformance with Section 6.
- 3.2 *Segregation.* Costs and revenues of APS shall be segregated from costs and revenues of Affiliates in a manner sufficient to ensure compliance with Section 3.1.
- 3.3 *Books and Records.* APS shall maintain its books of account and records separately from those of its Affiliates. As a precondition to transacting any business with APS, Affiliate books and records must be made available for inspection by the ACC to the extent reasonably necessary to determine compliance with this Code of Conduct.

## **4 Separation of Functions**

### **4.1 Operations**

- 4.1.1 APS shall exist as a separate corporate entity from any Affiliate.
- 4.1.2 APS shall not use shared corporate support functions as a means to circumvent Section 5.
- 4.1.3 Nothing in this Code of Conduct shall prevent APS and an Affiliate from receiving shared services from Pinnacle West Capital Corporation. Such shared services and the assignment or allocation of costs therefor shall be as set forth in APS' Affiliate Accounting Policies and Procedures.

- 4.1.4 Shared telecommunication, computer and information systems shall be secured with appropriate security devices and procedures to protect against the disclosure of information in a manner inconsistent with this Code of Conduct.
- 4.1.5 Except as permitted by this Code of Conduct, APS shall not jointly employ the same employees as its Affiliates.
  - 4.1.5.1 For purposes of common oversight and governance, APS and its Affiliates may share one or more officers and directors. Officers and directors may be shared only where sufficient mechanisms are in place so that such sharing does not result in circumventing any of the Code of Conduct provisions. Officers and directors shall sign a statement annually that they understand the Code of Conduct and the attendant consequences for violations thereof.
- 4.1.6 An Affiliate may contract for services from APS when a written service agreement is executed in accordance with established policies and procedures and when the charges for such services comply with Section 6.
- 4.1.7 Requests from Affiliates and non-affiliated ESPs and their customers for ACC-regulated services provided by APS shall be processed on a non-discriminatory, first come, first served-basis and in accordance with established policies and procedures and also as set forth in Schedule 10 of APS' ACC-approved tariffs.

#### 4.2 *Administering Tariffs.*

- 4.2.1 Administration and enforcement of all ACC-approved tariffs for APS, including terms and conditions of service, shall be conducted solely by employees and authorized agents of APS.
- 4.2.2 With respect to the terms and conditions of providing Distribution Services subject to ACC approval (including price, curtailments, scheduling and priority), APS shall not provide its Affiliates, or the customers of its Affiliates, any preferential treatment over non-affiliated ESPs or their customers as a result of such status as an Affiliate or customer of an Affiliate.
- 4.2.3 If a tariff provision allows for discretion in its application, APS shall apply that provision in a non-discriminatory manner between an Affiliate and all other market participants and their respective customers.

- 4.2.4 APS shall not condition or otherwise tie any non-competitive electric service it provides nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of such service to a Distribution Service customer taking any goods or services from an Affiliate.
- 4.2.5 Prior to the divestiture of APS generation pursuant to ACC Decision No. 61973 (October 6, 1999), APS generation shall not be sold by APS on a discounted basis to Standard Offer customers without the express permission of the ACC.

4.3 *Promotion, Sales and Advertising of Non-Distribution Services.*

- 4.3.1 APS shall not engage in any joint advertising, marketing or sales activity of any sort with an Affiliate.
- 4.3.2 APS shall not permit an Affiliate to use APS' name or logo in written promotional or advertising material unless the Affiliate discloses that: 1) the Affiliate is not the same company as APS and 2) customers do not have to buy the Affiliate's product in order to continue to receive Distribution Service at regulated rates from APS.
- 4.3.3 APS shall not promote, market, or sell an Affiliate's services for or on behalf of an Affiliate.
- 4.3.4 APS shall not state or imply in any advertising or customer communication that the provision of any Distribution Service, or the terms and conditions governing such services, are conditioned upon, related to or tied to the purchase of any other product or service from an Affiliate, or that APS is the same entity as such Affiliate.
- 4.3.5 APS shall not provide advice regarding an Affiliate to APS' customers nor state or imply that Distribution Service provided to an Affiliate's customer is safer or more reliable than those provided to a non-Affiliate or that an Affiliate's customers will receive preferential treatment from APS regarding their Distribution Services.
- 4.3.6 APS shall not provide an Affiliate with advertising space in any APS written customer communication (e.g., billing) unless access is made available to non-affiliated ESPs on the same terms and conditions.

4.3.7 APS shall inform customers who inquire about competitive services that a list of authorized ESPs is available from the ACC. APS may offer customers the ACC website address and telephone number or, upon request, may provide the customer with a copy of the current ACC list of authorized ESPs as shown on the ACC website at the time of the customer's inquiry.

## **5 Access to Information**

5.1 *System Information.* APS shall provide Affiliates and non-Affiliates access to Distribution Service-specific information (including information about available distribution capability, transmission access and curtailments) under the same terms and conditions and in accordance with established policies and procedures.

5.2 *Customer Information.* Non-public customer-specific information shall not be provided by APS to an Affiliate unless release of such information is expressly authorized by the customer or the ACC or is otherwise permitted by law.

## **6 Transactions with Affiliates**

6.1 *Accounting.* Transactions between APS and an Affiliate shall be accounted for in accordance with Generally Accepted Accounting Principles.

6.1.1 Accounting provisions for Affiliate transactions shall be governed by written policies and procedures that include but are not limited to general provisions, allocation methodologies for direct and indirect charges, goods or services produced, purchased or developed for sale and those not produced, purchased or developed for sale, transfer of assets, and inter-company billing and reimbursements.

6.2 *Purchase of Goods and Services from Affiliates.* APS shall not purchase goods and services from an Affiliate at a price that is above the market price of such goods and services or, where a market price for any particular good or service is not readily available, at a price that is above the Affiliate's fully allocated cost of providing the good or service.

6.3 *Sale of Goods and Services to Affiliates.* Goods and services sold by APS to an Affiliate shall be charged in accordance with any applicable tariff. Where a tariff is not applicable, such goods and services shall be

sold at the market price or where there is no readily identified market price, at the fully allocated cost of providing the good or service.

- 6.4 *Reporting Requirements.* Contracts pertaining to transactions between APS and an Affiliate as described in Sections 6.2 and 6.3 shall be provided to the ACC in compliance with the reporting requirements of the Affiliate Interest Rules.

## **7 Dissemination, Education and Compliance**

- 7.1 *Employee Access to Code of Conduct.* Copies of this Code of Conduct and associated policies and procedures shall be provided to employees of APS and all Affiliates and those authorized agents of APS and all Affiliates that are likely to be engaged in activities subject to the Code of Conduct. A copy of the Code of Conduct and associated policies and procedures shall be maintained on Pinnacle West's Intranet.

- 7.2 *Employee Training.* Training on the provisions of the Code of Conduct and its implementation through associated policies and procedures, shall be provided to APS employees and authorized agents likely to be engaged in activities subject to the Code of Conduct.

### **7.3 Compliance.**

- 7.3.1 Compliance with the Code of Conduct is mandatory. An APS employee's or agent's failure or refusal to abide by or to act according to such standards may subject the employee or agent to disciplinary action, up to and including discharge from employment or termination of the agent's relationship with APS.

- 7.3.2 Compliance with this Code of Conduct shall be administered as part of the Pinnacle West Business Practices program and in accordance with Pinnacle West Business Practices policies.

## **8 Modifications to the Code of Conduct**

- 8.1 APS shall request modifications to this Code of Conduct by filing an application with the ACC. The application shall set forth the proposed modifications and supporting reasons.

**9    *Dispute Resolution***

9.1 To the extent permitted by law, complaints concerning violations of this Code of Conduct shall be processed under the procedures established in A.A.C. R14-2-212.

Questions regarding this Code of Conduct should be directed to the Pinnacle West Business Practices Department.

# ARIZONA PUBLIC SERVICE COMPANY

## Code of Conduct

Arizona Public Service Company ("APS") is committed to establishing standards of conduct that will produce confidence in the integrity of the competitive retail electric market and that will be consistent with the requirements of the Electric Competition Rules.

The following Code of Conduct shall apply to APS and, where indicated, its Affiliates.

### 1 **Definitions**

1.1 ~~"Affiliate" or "Affiliates" means an Electric Service Provider related to APS in the manner described in A.A.C. R14-2-801 (1).~~ "ACC" means the Arizona Corporation Commission.

1.2 "Affiliate Interest Rules" means A.A.C. R14-2-801, et. seq.

1.3 "APS" means Arizona Public Service Company in its capacity of providing Distribution Service and any other electric services permitted by law.

~~1.3 "Commission" means the Arizona Corporation Commission.~~

1.4 ~~"Electric Competition Rules" means A.A.C. R14-2-1601 et. seq., as set forth in Decision No. 61969 (September 29, 1999).~~ "Competitive Electric Affiliate" means a business enterprise related to APS in the manner described in A.A.C. R14-2-801 (1) that is also an Electric Service Provider; hereinafter referred to as "Affiliate" or "Affiliates".

1.5 "Distribution Service" means those services described in A.A.C. R14-2-1601 (14), i.e., "the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission."

1.6 "Electric Competition Rules" means A.A.C. R14-2-1601, et. seq.

~~1.6~~ 1.7 "Electric Service Provider" or "ESP" means a provider of company supplying, marketing, or brokering at retail competitive electric services.

~~as defined~~ services pursuant to a Certificate of Convenience and Necessity. This term has the same definition as in A.A.C. R14-2-1601 (16).

## **2 General**

- 2.1 All employees and authorized agents of APS shall conduct their activities in compliance with the requirements of this Code of Conduct.
- 2.2 Failure to conduct activities in compliance with ~~the~~ this Code of Conduct will subject the employee or agent to disciplinary actions described in Section 7.
- 2.3 APS shall adopt and follow written policies and procedures regarding the implementation of this Code of Conduct.

## **3 Financial**

- 3.1 *Subsidization.* APS shall not subsidize the competitive electric services provided by an Affiliate through any ~~rate or charge for non-competitive electric services.~~ charge for goods or services which is not in conformance with Section 6.
- 3.2 *Segregation.* Costs and revenues of APS ~~will~~ shall be segregated from costs and revenues of Affiliates in ~~the~~ a manner sufficient to ensure ~~that there is no subsidization of the business activities of Affiliates by any rate or charge for non-competitive services of APS.~~ compliance with Section 3.1.
- 3.3 *Books and Records.* APS ~~will~~ shall maintain its books of account and records separately from those of its Affiliates. As a precondition to transacting any business with APS, Affiliate books and records must be made available for inspection by the ~~Commission~~ ACC to the extent reasonably necessary to determine compliance with this Code of Conduct.

## **4 Separation of Functions**

- 4.1 *Operations-*

- 4.1.1 ~~Except as otherwise permitted by law or in this Code of Conduct,~~ APS shall ~~operate~~exist as a separate corporate entity from any Affiliate.
- 4.1.2 ~~APS shall not use shared corporate support functions as a means to circumvent Section 5, transfer confidential customer information or create significant opportunities for cross subsidization of its competitive electric affiliates.~~
- 4.1.3 Nothing in this Code of Conduct shall prevent APS and an Affiliate from receiving shared services from Pinnacle West Capital Corporation. Such shared services and the assignment or allocation of costs therefor shall be as set forth in APS' Affiliate Accounting Policies and Procedures.
- ~~4.1.24.~~4.1.4 Shared telecommunication, computer and information systems shall be secured with appropriate security devices and procedures to protect against the disclosure of information in a manner inconsistent with this Code of Conduct.
- 4.1.5 ~~Except as permitted by this Code of Conduct, APS will~~shall not jointly employ the same employees as its Affiliates.
- 4.1.5.1 For purposes of common oversight and governance, APS and its Affiliates may share one or more officers and directors. Officers and directors may be shared only where sufficient mechanisms are in place so that such sharing does not result in circumventing any of the Code of Conduct provisions. Officers and directors shall sign a statement annually that they understand the Code of Conduct and the attendant consequences for violations thereof.~~Affiliate. However, to provide for joint corporate oversight, governance and support, this provision shall not prevent APS and any Affiliate from having common Directors or Officers. An Affiliate may also~~
- 4.1.6 An Affiliate may contract for services from APS as long as when a written service agreement is executed in accordance with established policies and procedures and when the charges for such services comply with Section 6~~of this Code of Conduct.~~
- 4.1.7 Requests from Affiliates and non-affiliated ESPs and their customers for ACC-regulated services provided by APS shall be processed on a non-discriminatory basis.~~non-discriminatory, first come, first served-basis and in accordance with established~~

policies and procedures and also as set forth in Schedule 10 of APS' ACC-approved tariffs.

#### 4.2 *Administering Tariffs.*

4.2.1 Administration and enforcement of all ~~Commission-approved~~ ACC-approved tariffs for APS, including terms and conditions of service, ~~will~~ shall be conducted solely by employees and authorized agents of APS.

4.2.2 With respect to the terms and conditions of providing Distribution Services subject to ACC approval (including price, curtailments, scheduling and priority), APS shall not provide its Affiliates, or the customers of its Affiliates, any preferential treatment over non-affiliated ESPs or their customers as a result of such status as an Affiliate or customer of an Affiliate.

4.2.3 If a tariff provision allows for discretion in its application, APS shall apply that provision in a non-discriminatory manner between an Affiliate and all other market participants and their respective customers.

4.2.4 APS shall not condition or otherwise tie any non-competitive electric service it provides nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of ~~its~~ such service to the a Distribution Service customer taking of any goods or services from an Affiliate.

4.2.5 Prior to the divestiture of APS generation pursuant to ACC Decision No. 61973 (October 6, 1999), APS generation ~~will~~ shall not be sold by APS on a discounted basis to Standard Offer customers without the express permission of the ACC.

#### 4.3 *Promotion, Sales and Advertising of Non-Distribution Services.*

4.3.1 APS shall not engage in any joint advertising, marketing or sales activity of any sort with an Affiliate.

~~4.3.1~~ 4.3.2 APS shall not permit an Affiliate to use APS' name or logo ~~shall not be used in written promotional or advertising material~~ circulated by an Affiliate unless the Affiliate discloses that: 1) the Affiliate is not the same company as APS and 2) customers do not have to buy the Affiliate's product in order to continue to receive Distribution Service at regulated rates from APS.

~~4.3.2 APS will not engage in joint advertising, marketing or sales with its Affiliate.~~

4.3.3 APS shall not promote, market, or sell an Affiliate's services for or on behalf of an Affiliate.

4.3.4 APS shall not state or imply in any advertising or customer communication that the provision of any Distribution Services, or the terms and conditions governing such services, are conditioned upon, related to or tied to the purchase of any other product or service from an Affiliate, or ~~Affiliate~~ that APS is the same entity as such Affiliate.

4.3.5 APS shall ~~not offer or~~ provide advice regarding an Affiliate to APS' customers nor state or imply that Distribution ~~service~~ Service provided to an Affiliate's customer is safer or more reliable than those provided to a non-Affiliate or that an Affiliate's customers will receive preferential treatment from APS regarding their Distribution Services.

4.3.6 APS shall ~~not offer or~~ provide an Affiliate with advertising space in any APS written customer communication (e.g., billing) unless access is provided to non-Affiliates made available to non-affiliated ESPs on the same terms and conditions.

4.3.7 APS shall inform customers who inquire about competitive services that a list of authorized ESPs is available from the ACC. APS may offer customers the ACC website address and telephone number or, upon request, may provide the customer with a copy of the current ACC list of authorized ESPs as shown on the ACC website at the time of the customer's inquiry.

## 5 Access to Information

5.1 *System Information.* APS shall provide ~~an Affiliate and non-Affiliate ESPs~~ Affiliates and non-Affiliates access to Distribution Service-specific information (including information about available distribution capability, transmission access and curtailments) ~~concurrently and~~ under the same terms and conditions. and in accordance with established policies and procedures.

5.2 *Customer Information.* Non-public customer-specific information ~~will~~ shall not be provided by APS to an Affiliate ~~or to a non-Affiliate~~ unless release of such information is expressly authorized by the customer or

the ~~Commission~~ ACC or is otherwise ~~authorized or required~~ permitted by law.

## 6 **Transactions with Affiliates**

6.1 **Accounting.** ~~Except where regulatory requirements provide otherwise, transactions~~ Transactions between APS and an Affiliate will ~~will~~ shall be accounted for in accordance with Generally Accepted Accounting Principles.

6.1.1 Accounting provisions for Affiliate transactions shall be governed by written policies and procedures that include but are not limited to general provisions, allocation methodologies for direct and indirect charges, goods or services produced, purchased or developed for sale and those not produced, purchased or developed for sale, transfer of assets, and inter-company billing and reimbursements.

6.2 **Purchase of Goods and Services from Affiliates.** APS shall not purchase goods and services from an Affiliate at a price that is above the market price of such goods and services or, where a market price for any particular good or service is not readily available, at a price that is above the Affiliate's fully allocated cost of providing the good or service.

6.3 **Sale of Goods and Services to Affiliates.** Goods and services sold by APS to an Affiliate shall be charged in accordance with any applicable tariff. Where a tariff is not applicable, such goods and services shall be sold at the market price or where there is no readily identified market price, at the fully allocated cost of providing the good or service.

6.4 ~~Policies and Procedures.~~ ~~APS shall maintain, or cause to be maintained, written policies and procedures regarding the accounting and segregation of costs as between APS and an Affiliate, which policies and procedures shall be made available to the Commission on request.~~ Reporting Requirements. Contracts pertaining to transactions between APS and an Affiliate as described in Sections 6.2 and 6.3 shall be provided to the ACC in compliance with the reporting requirements of the Affiliate Interest Rules.

## 7 **Dissemination, Education and Compliance**

7.1 **Employee Access to Code of Conduct.** Copies of this Code of Conduct will and associated policies and procedures shall be provided to

employees of APS and all Affiliates and those authorized agents of APS and all Affiliates that are likely to be engaged in activities subject to the Code of Conduct. A copy of the Code of Conduct will and associated policies and procedures shall be maintained on the Company's electronic bulletin board known as Vista Public Folders. Pinnacle West's Intranet.

7.2 *Employee Training.* Training on the provisions of the Code of Conduct and its implementation will through associated policies and procedures, shall be provided to APS employees and authorized agents likely to be engaged in activities subject to the Code of Conduct.

### 7.3 Compliance.

7.3.1 ~~Compliance~~—Compliance with the Code of Conduct is mandatory. An APS employee's or agent's failure or refusal to abide by or to act according to such standards may subject the employee or agent to disciplinary action, up to and including discharge from employment or termination of the agent's relationship with APS.

7.3.2 ~~Questions regarding this Code of Conduct should be directed to the~~ Compliance with this Code of Conduct shall be administered as part of the Pinnacle West Business Practices program and in accordance with Pinnacle West Business Practices policies Department. ~~the will APS Standard of Conduct program.~~

## **8 Modifications to the Code of Conduct**

8.1 APS shall request modifications to this Code of Conduct by filing an application with the ACC. The application shall set forth the proposed modifications and supporting reasons.

## **9 Dispute Resolution**

9.1 To the extent permitted by law, complaints concerning violations of this Code of Conduct shall be processed under the procedures established in A.A.C. R14-2-212.

Questions regarding this Code of Conduct should be directed to the Pinnacle West Business Practices Department.