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HEARING DIVISION PROPOSED AMENDMENT # 1

TIME/DATE PREPARED: 2:40 p.m./Sept. 15, 1999 AZ CORP COMMISSION DOCUMENT CONTROL

COMPANY: ARIZONA PUBLIC SERVICE CO.

AGENDA ITEM NO. U-2

DOCKET NO. E-01345A-98-0473 ET AL. OPEN MEETING DATE: Sept. 21, 22 & 23, 1999

Page 3, Line 23: Before the word "and," INSERT the following:

"Commonwealth Energy Corporation ("Commonwealth")"

Page 5, Line 10: INSERT a footnote after the words "rate proceeding":

"Although the Consumers Council indicated they did not believe a full rate proceeding was necessary, it is unclear as to the type of proceeding the Consumers Council believed was necessary."

Page 8: DELETE Lines 12 through 15 and INSERT the following:

"Neither the Commission nor APS shall be prevented from seeking or authorizing a change in unbundled or Standard Offer rates prior to July 1, 2004, in the event of (a) conditions or circumstances which constitute an emergency, such as an inability to finance on reasonable terms, or (b) material changes in APS' cost of service for Commission-regulated services resulting from federal, tribal, state or local laws, regulatory requirements, judicial decisions, actions or orders. Except for the changes otherwise specifically contemplated by this Agreement, unbundled and Standard Offer rates shall remain unchanged until at least July 1, 2004."

Page 9, Line 21 ½: DELETE sentence starting with "To the extent" and INSERT the following:

"We shall order APS to include language as requested by NEV Southwest."

Page 10, Line 13: DELETE sentence starting with "Further," and INSERT the following:

"The Commission supports and authorizes the transfer by APS to an affiliate or affiliates of all its generation and competitive electric service assets as set forth in the Agreement no later than December 31, 2002. However, we will require the Company to provide the Commission with a specific list of any assets to be so

transferred, along with their net book values at the time of transfer, at least thirty days prior to the actual transfer. The Commission reserves the right to verify whether such specific assets are for the provision of generation and other competitive electric services or whether there are additional APS assets that should be so transferred.”

Page 11, Line 24: INSERT the following:

“Several parties also expressed concern that any Code of Conduct would not cover the actions of a single company during the two year delay for transferring generation assets.”

Page 11, Lines 25 ½ through 26 ½: DELETE sentence beginning with “APS should” and ending with “Code of Conduct” and INSERT the following:

“We will direct APS to file its revised Code of Conduct within 30 days of the date of this Decision. Such Code of Conduct should also include provisions to govern the supply of generation during the two year period of delay for the transfer of generation assets so that APS doesn’t give itself an undue advantage over the ESPs. All parties shall have 60 days from the date of this Decision to provide their comments to APS regarding the revised Code of Conduct. APS shall file its final proposed Code of Conduct within 90 days of the date of this Decision.”

Page 11, Line 28 ½: INSERT new paragraph:

“Section 2.6(1)

Pursuant to the Agreement, the Commission shall approve an adjustment clause or clauses which among other things would provide for a purchased power adjustor (“PPA”) for service after July 1, 2004 for Standard Offer obligations. Part of the justification for the PPA was the fact that these costs would be outside of the Company’s control.

We concur that a PPA would result in less risk to the Company resulting in lower costs for the Standard Offer customers. However, we believe the determination as to whether a PPA is appropriate should be based on whether or not there are competitive choices for all customers. As a result, we will approve the concept of the PPA as set forth in Section 2.6(1) with the understanding that the Commission can eliminate the PPA once the Commission has determined and provided reasonable notice to the Company that there is effective competition for customers in the APS service territory.”

Page 13, Line 5: INSERT a new footnote after the words “7.5 percent”:

“Pursuant to Decision No. 59601, dated April 24, 1996, 0.68 percent of that decrease would have occurred on July 1, 1999.”