

Regulatory Update

APS Regulatory Plan

- **APS filed with ACC in October 2001 requests for:**
 - Variance from competitive bidding requirements
 - Approval of purchase power agreement
- **Hearing to begin on April 29, 2002**
- **Major issues**
 - Competitive bidding amounts
 - Purchase power agreement pricing
 - Certain terms and conditions
 - Market power

APS Regulatory Plan

- **Generation asset transfer**
 - Still required by end of 2002
 - ACC Staff has recommended “stay” pending outcome of generic proceedings
- **Related developments**
 - ACC generic review proceedings on electric restructuring
 - Panda show-cause motion on bidding

ACC Generic Review Proceedings on Electric Restructuring

- All three commissioners desire to “re-look” at Electric Competition Rules
- Interested parties have responded to commissioners’ questions
- ACC Staff report recommends continued wholesale/retail competition, but also unspecified rule changes

ACC Generic Review Proceedings on Electric Restructuring

- **ACC staff urges commission review in six specific areas**
 - ACC monitoring of market conditions and market power
 - Competitive bidding process guidance
 - Alternatives to generation asset transfers
 - Transmission constraints
 - Adjustor mechanisms for standard-offer rates
 - Customer shopping credits
- **Generic time table**

Legal Proceedings

Related to Regulatory Matters

- **1999 APS Settlement Agreement**
 - **Affirmed by Arizona Supreme Court**
- **Electric Competition Rules**
 - **Declared unconstitutional by Arizona Superior Court**
 - **Still in effect pending review by Arizona Court of Appeals**