

PINNACLE WEST CAPITAL CORP

FORM U-1

(Application for Public Utility Holding Company)

Filed 09/12/00

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Industry	Electric Utilities
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM U-1
APPLICATION
UNDER
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935**

**PINNACLE WEST CAPITAL CORPORATION
400 EAST VAN BUREN STREET, SUITE 700
PHOENIX, ARIZONA 85004**

(Name of company filing this statement and
address of principal executive offices)

NONE

(Name of top registered holding company parent)

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400 North Fifth Street
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Phoenix, Arizona 85004

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The Commission is requested to send copies of all notices, orders, and communications in connection with this application to:

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Pursuant to Sections 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "Act"), Pinnacle West Capital Corporation, an Arizona corporation ("PNW"), hereby requests approval from the Securities and Exchange Commission (the "Commission") to establish a new public-utility company subsidiary in connection with the proposed corporate reorganization (the "Reorganization") involving the relocation of certain generation assets from Arizona Public Service Company ("APS"), PNW's existing public-utility company subsidiary, to Pinnacle West Energy Corporation ("PWE"), another wholly-owned subsidiary of PNW. As a result of this Reorganization, PWE will become an "electric utility company" and a "public-utility company" within the meaning of the Act, and, therefore, PNW will acquire an additional public-utility subsidiary. (However, PWE will not become a public service corporation under Arizona state law.) PNW will continue to meet the requirements for an intrastate exemption under Section 3(a)(1) of the Act and will continue to file annual exemption statements on Form U-3A-2 pursuant to Rule 2 of the Commission's regulations.

The purpose of the Reorganization is to comply with certain requirements set forth in rules adopted by the Arizona Corporation Commission ("ACC") that provide the framework for introduction of retail electric competition in Arizona (the "Competition Rules"), and in a final ACC order approving the APS' settlement with various parties with respect to implementation of the Competition Rules (the "Settlement"). Pursuant to the Competition Rules and the Settlement, APS must separate its generating assets and competitive services from its transmission and distribution functions no later than December 31, 2002. PNW seeks Commission approval now, however, because APS intends to move a substantial portion of its generating assets to PWE on or before January 1, 2001. There may be some delays in moving particular assets from APS to PWE, pending receipt by APS of certain consents or waivers from third parties with respect to such assets, but most of the non-nuclear generating assets are to be moved to PWE on or before January 1, 2001.

ITEM 1 DESCRIPTION OF PROPOSED TRANSACTION

A. DESCRIPTION OF THE PARTIES

1. **PINNACLE WEST CAPITAL CORPORATION:** PNW was incorporated in 1985 under the laws of the State of Arizona. Through its subsidiaries, PNW is engaged in the generation, transmission, and distribution of electricity and the sale of energy services. Also through subsidiaries, PNW is involved in real estate development and in venture capital investment. On December 31, 1999, PNW employed approximately 7,534 people, including the employees of its subsidiaries. Of these employees, 6,234 were employees of its existing public-utility subsidiary, APS, and employees assigned to joint projects of APS where APS services as a project manager. PNW's principal executive offices are located at 400 East Van Buren, Phoenix Arizona 85004. PNW is currently a public-utility holding company exempt from the provisions of the Act, except Section 9(a)(2), by reason of its filing of annual exemption statements on Form U-3A-2 pursuant to Rule 2 of the Commission's regulations. 17 C.F.R. ss. 250.2(a). PNW's direct, wholly-owned subsidiaries are described below and a copy of PNW's most recent Form U-3A-2 is attached as Exhibit G-1.

2. **ARIZONA PUBLIC SERVICE COMPANY:** APS is a public-utility company incorporated in 1920 under the laws of the State of Arizona. APS is a wholly-owned subsidiary of PNW. APS' principal executive offices are located at 400 North Fifth Street, Phoenix Arizona 85004. APS provides retail electric services principally in the State of Arizona and is actively engaged in the competitive wholesale electric markets. APS is subject to regulation by the ACC with respect to retail rates, accounting, service standards, service territory, issuances of securities, siting of generation and transmission projects and various other matters.

APS is also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Parts I, II, and III of the Federal Power Act for certain phases of its business,

including regulation of its rates relating to wholesale sales of energy and interstate transmission, licensing its hydroelectric stations, accounting, and certain other matters. APS' current business structure consists of three primary business units: generation; power marketing; and transmission/distribution. The following briefly describes these business units.

a. GENERATION -- APS currently owns or leases generating facilities with a total accredited capacity of approximately 4,000 megawatts. The fuel mix of APS' generation capacity is 41.8% coal; 31.5% gas or oil; 26.5% nuclear; and less than 1% other. APS' sources of energy during 1999 were approximately 56.8% from its own generation resources and approximately 43.2% from purchased power. The Reorganization involves the relocation of a substantial portion of APS' generating facilities and related facilities, as well as the transfer of certain of the employees of APS' generation business unit. The generating assets being moved to PWE on or before January 1, 2001 are briefly described below.⁽¹⁾ Also, attached, as Exhibit E-1, is a map showing the location of each of APS' generation facilities.

(1) In addition to the generating facilities to be moved by January 1, 2001, APS also owns or leases an interest in the Palo Verde Nuclear Generating Station ("PVNGS"), a three-unit nuclear generating facility located in Wintersburg, Arizona approximately 55 miles west of Phoenix, Arizona. The total accredited capacity of PVNGS is 3,733 megawatts, of which APS owns or leases 29.1%, or approximately 1,086 megawatts. APS is also the operator of the facility. There are six other co-owners of PVNGS, which collectively own or lease the remaining 70.9%. Ownership is in the form of a co-tenancy, and the co-owners are not affiliates of one another. APS operates PVNGS pursuant to an agreement in which each owner pays its proportionate share of the cost of operating the facility. While the Reorganization involving APS' non-nuclear generating facilities is contemplated to occur on or before January 1, 2001, APS does not plan to move its interest in PVNGS to PWE until 2002. The delay in moving the nuclear assets is to ensure additional time to adequately address complicated contractual arrangements, such as sale and leaseback provisions between APS and certain owner trusts to which APS has sold and leased back a portion of its interest in PVNGS Unit 2 and the PVNGS common facilities. There are also certain financial and economic considerations that must be resolved before the nuclear assets can be moved to PWE.

Four Corners Power Plant ("Four Corners"):

Four Corners is a five-unit coal fired power plant located near Farmington, New Mexico on the Navajo Reservation. The property underlying the plant is held under easements granted by the federal government and under leases from the Navajo Nation. Units 1, 2 and 3 have an accredited capacity of 560 megawatts. These units are 100% owned and operated by APS. Units 4 and 5 have an accredited capacity of 1,480 megawatts; APS owns 15% of units 4 and 5, or 222 megawatts. The remaining interests in units 4 and 5 are co-owned by five other entities. Ownership of units 4 and 5 is through a co-tenancy arrangement, and the co-owners are not affiliates of one another. APS operates Four Corners units 4 and 5 pursuant to an agreement in which each owner pays its proportionate share of the operating cost.

Cholla Power Plant ("Cholla"):

Cholla is a four-unit coal-fired power plant located in Navajo County approximately 200 miles northeast of Phoenix, Arizona. Units 1, 2 and 3 have an accredited capacity of 615 megawatts. These units are 100% owned and operated by APS. Unit 4 has an accredited capacity of 380 megawatts; unit 4 is 100% owned by another unaffiliated entity. APS is also the operator for this unit.

Navajo Power Plant ("Navajo"):

Navajo is a three-unit coal-fired plant located south of Page, Arizona. The total accredited capacity for the plant is 2,250 megawatts. APS owns 14%, or 315 megawatts of this plant. The remaining interests in the plant are co-owned by five other entities which are not affiliated with APS. APS does not operate Navajo.

Saguaro Power Plant ("Saguaro"):

Saguaro is a four-unit power plant consisting of two gas/oil-fired steam units and two gas/oil-fired combustion turbine units and is located 30 miles north of Tucson, Arizona. The total accredited capacity for the plant is 319 megawatts. Steam units 1 and 2 have a combined capacity of 209 megawatts, and the two combustion turbines have a combined capacity of 110 megawatts. This plant is 100% owned and operated by APS.

Ocotillo Power Plant ("Ocotillo"):

Ocotillo is a six-unit multi-fueled generating plant located in Tempe, Arizona. Two units are gas/oil-fired steam units; two units are gas/oil-fired combustion turbines; and two units are solar. The total accredited capacity for steam units 1 and 2 is 226 megawatts; for combustion turbine units 1 and 2, the accredited capacity is 110 megawatts; and for solar units 1 and 2, the accredited capacity is 172 kilowatts. This plant is 100% owned and operated by APS.

Yucca Power Plant ("Yucca"):

Yucca is a five-unit gas/oil combustion turbine plant located near Yuma, Arizona. The accredited capacity of units 1, 2, 3 and 4 is 147 megawatts. These units are 100% owned, unaffiliated and operated by APS. Unit 5 and a separate steam unit are owned by a separate unaffiliated entity but operated by APS.

West Phoenix Power Plant ("West Phoenix"):

West Phoenix is a six-unit gas/oil-fired steam, combustion turbine, and combined cycle generation plant located in Phoenix, Arizona. Combustion turbine units 1 and 2 have an accredited capacity of 110 megawatts; combined cycle units 1, 2 and 3 have an accredited capacity of 255 megawatts; and steam units 4, 5 and 6 have an accredited capacity of 108.3 megawatts. APS owns or leases and operates 100% of West Phoenix and is entitled to 100% of the output.(2)

Douglas/Fairview Power Plant:

Douglas/Fairview is a single combustion turbine unit with a capacity rating of 16 megawatts located near Douglas, Arizona. Douglas/Fairview is 100% owned and operated by APS.

Solar Power Plants

APS also owns a number of solar units that will be moved to PWE as part of the Reorganization. These solar units are located around the state (primarily in the Phoenix metropolitan area) and have a total combined capacity rating of 1 megawatt.

b. POWER MARKETING -- APS' Power Marketing and Trading division ("Power Marketing") primarily engages in the sale and purchase of electric capacity and energy in the wholesale market. Power Marketing sells excess power from APS' generation facilities and also purchases energy from other entities to meet APS' requirements to supply retail and wholesale customers. Power Marketing also engages in hedging transactions in forward markets for electricity and fuel and in the purchase and sale of emission allowances as part of APS' effort to manage risks associated with its generation and distribution activities. The ACC Competition

Rules and Settlement contemplate that as a competitive asset, APS will also move its Power Marketing division to an affiliate. Thus, on or before January 1, 2001, Power Marketing will become a division of PNW.(3)

c. TRANSMISSION/DISTRIBUTION -- APS owns and operates approximately 5,296 miles of transmission lines, of which all but 140 miles are located within the State of Arizona. APS' transmission was built primarily to bring generation from its power plants to its retail electric loads in Arizona. Ownership and operation of APS' transmission facilities is subject to regulation by FERC. Transmission rates are prescribed by FERC and the use of and access to the transmission system is subject to FERC's open access requirements set forth in FERC Order No. 888. As of December 31, 1999, APS' distribution system served approximately 827,000 electric retail customers in its service territory within the State of Arizona. APS provides distribution services in 11 of Arizona's 15 counties, including the metropolitan Phoenix area. Pursuant to the Settlement approved by the ACC in 1999, which is more fully discussed below, retail rates have been set until July 1, 2004, subject to conditions or circumstances which constitute an emergency. APS' transmission and distribution business will remain with APS under the Reorganization.

(2) APS currently leases its interest in combined cycle units 1, 2, and 3. Because the lease does not expire until June 24, 2001, APS may not move its interest in those units to PWE until mid-2001.

(3) PNW itself will not become an electric utility company when this occurs. The Commission and Staff have both recognized, on numerous occasions, that marketing activities are not utility activities under the Act. See, e.g., UNITIL, Holding Company Act Release No. 26650 (Jan. 21, 1997); SEI Holdings, Inc., Holding Company Act Release No. 26581 (Sept. 26, 1996); Sunoco Power Marketing, L.L.C., SEC No-Action Letter, 1997 SEC No-Act. LEXIS 785 (July 24, 1997); Enron Capital & Trade Resources Corp., SEC No-Action Letter, 1997 SEC No-Act. LEXIS 287 (Feb. 13, 1997); Eastex Power Marketing, Inc., SEC No-Action Letter, 1996 SEC No-Act. LEXIS 536 (Apr. 30, 1996); LG&E Power Marketing, Inc., SEC No-Action Letter, 1996 SEC No-Act. LEXIS 510 (Apr. 26, 1996); Coral Power, L.L.C., SEC No-Action Letter, 1996 SEC No-Act. LEXIS 314 (Feb. 22, 1996); AIG Trading Corp., SEC No-Action Letter, 1995 SEC No-Act. LEXIS 195 (Jan. 20, 1995); Inter-Coast Power Marketing Co., SEC No-Action Letter, 1994 SEC No-Act. LEXIS 886 (Dec. 6, 1994); Electric Clearinghouse, Inc., SEC No-Action Letter, 1994; SEC No-Act. LEXIS 452 (Apr. 13, 1994); CRSS Power Marketing, Inc., SEC No-Action Letter, 1994 SEC No-Act. LEXIS 431 (Mar. 31, 1994).

3. PINNACLE WEST ENERGY CORPORATION: PWE was incorporated in Arizona on September 27, 1999 under the laws of the State of Arizona. PWE is a wholly-owned subsidiary of PNW. PWE was organized primarily to engage in the business of developing, owning, and operating generation plants used for the production and sale of wholesale energy. Currently, PWE is engaged in the development of approximately 2,600 megawatts of generating capacity in the State of Arizona and operations in other states are contemplated, too; however, PWE is not currently an electric utility company or a public-utility company within the meaning of the Act. Upon consummation of the Reorganization described herein and the subsequent relocation of APS' nuclear generating facilities, PWE will own or lease the generation facilities currently owned or leased by APS and will assume APS' responsibilities as operator of the facilities described above, with the exception of the Navajo Generating Station, which will continue to be operated by another, unaffiliated entity.(4) PWE's principal place of business is 400 North Fifth Street, Phoenix, Arizona 85004.

4. APS ENERGY SERVICES COMPANY, INC. ("APSES"): APSES is an Arizona corporation formed in 1998. APSES is a wholly-owned subsidiary of PNW. APSES was organized as a retail power marketer to provide retail energy and related retail energy services to customers throughout Arizona, California, and other states that have instituted retail direct access. APSES does not own or control electric power generation, transmission, or distribution facilities.(5) APSES' principal place of business is 400 East Van Buren Street, Phoenix, Arizona.

(4) In the future, PWE may also acquire or develop other generating assets. To the extent necessary for PNW to maintain its intrastate exemption, PWE may establish exempt wholesale generator ("EWG") subsidiaries to own and/or operate future assets that may be located out of state.

(5) APSES is not an "electric utility company" or a "public-utility company" as those terms are defined in the Act. See, e.g., Enron, SEC No-Action Letter (1997).

5. SUNCOR DEVELOPMENT COMPANY ("SUNCOR"): SunCor was incorporated in 1965 under the laws of the State of Arizona. SunCor is a wholly-owned subsidiary of PNW. SunCor is engaged in commercial and residential real estate development. SunCor is not engaged in the generating, transmitting, distributing or selling of electric energy and will not be affected by the Reorganization. SunCor's principal place of business is 3838 North Central, Suite 1500, Phoenix, Arizona 85012.

6. EL DORADO INVESTMENT COMPANY ("EL DORADO"): El Dorado was incorporated in 1983 under the laws of the State of Arizona. El Dorado is an investment company and wholly-owned subsidiary of PNW. El Dorado is not engaged in the business of generating, transmitting, distributing, or selling of electric energy and will not be affected by the Reorganization. El Dorado's principal place of business is 400 East Van Buren, Suite 800, Phoenix, Arizona 85004.

B. REGULATORY BACKGROUND

The Reorganization is being undertaken in accordance with the Competition Rules and Settlement. Specifically, in Arizona, the ACC has adopted the Competition Rules to expedite the transition to retail electric competition. Among other things, the Competition Rules required that APS separate its generation assets and competitive business activities from its transmission and distribution functions. In 1999, the ACC approved the Settlement between APS and several customer groups and consumer advocates resolving retail electric competition-related issues and approving unbundled tariffs.⁽⁶⁾ Under the terms of the Competition Rules and the Settlement, retail choice for APS' retail customers is being phased-in. All of APS' retail customers will be entitled to choose their retail power supplier beginning January 1, 2001.⁽⁷⁾ The retail rates of customers that continue to take fully bundled service from APS and do not choose an alternative

⁽⁶⁾ The ACC order approving the Settlement is attached as Exhibit D-5.

⁽⁷⁾ See Exhibit D-4.

supplier will be subject to planned rate reductions that will continue until July, 2004.(8) Under the Settlement, APS is entitled to apply for a change in the agreed upon rate reductions only in the event of an emergency or a material change in its cost of service as a result of specified extraordinary events. The Settlement also requires APS to complete separation of its generation assets by December 31, 2002.(9)

C. THE REORGANIZATION

PNW and APS propose to undertake the Reorganization pursuant to the arrangements described in the Term Sheet, attached as Exhibit B-1 hereto.

The principal transactions associated with the Reorganization are described below. As previously mentioned, APS and PWE are both currently direct, wholly-owned subsidiaries of PNW. APS and PWE will be the only two "public-utility company" (as defined in the Act) subsidiaries of PNW upon the completion of the Reorganization. It is contemplated that the following transactions will occur on or before January 1, 2001: First, APS will contribute the bulk of its fossil and solar generating facilities, assets and related operational agreements to one or more of these newly-formed subsidiaries (hereafter "Transitory Subsidiaries") which will be wholly-owned by APS. This transaction is intended to qualify as a tax-deferred reorganization under Internal Revenue Code ("IRC") Section 368(a)(1)(D). Second, APS will distribute or cause to be distributed all of the stock of each Transitory Subsidiary to PNW in a transaction intended to qualify as a tax-deferred spin-off under IRC Section 355. Third, under state law, the Transitory Subsidiaries will then be merged into PWE (with PWE as the surviving entity) in a transaction intended to qualify as a tax-deferred statutory merger under IRC Section 368(a)(1)(A). It is contemplated that the three aforementioned transactions will occur simultaneously.

(8) See Exhibit D-4.

(9) See Exhibit D-4.

When the Reorganization is complete, APS' existing divisional structure in which its electric utility operations are divided along functional lines will be formalized, and separate corporate entities will engage in the transmission/distribution of electricity and the generation of electricity. APS will become a "wires" company and continue to own and operate its existing electric transmission/distribution system, and PWE will become a "generating" company and will own or lease and operate APS' existing generation assets and sell the output from these assets at wholesale to Power Marketing. Power Marketing, in turn, is expected then to sell power to APS and other non-affiliated power purchasers. APS will continue to provide transmission and distribution services at regulated rates, as well as provide energy to those retail customers in APS' existing service territory that do not elect to use an alternative retail power supplier. A diagram of PNW's corporate structure, after the Reorganization is complete and the nuclear generating facilities have been moved to PWE, is shown on Appendix B to Exhibit D-1 attached hereto.

Consumation of the Reorganization is subject to certain conditions as stated in the Term Sheet attached as Exhibit B-1. Principally, these conditions include: (a) the approval of the Commission under Section 9(a)(2) of the Act; (b) approvals of FERC under Sections 203 and 205 of the Federal Power Act 16 U.S.C.ss.ss.824b and d (1994); and (c) consents and waivers of certain third parties with respect to contracts associated with the generation assets. The approval of the ACC has already been granted. (10) No PNW shareholder approval is required in connection with the Reorganization. Although APS does not believe that shareholder approval is required for the Reorganization, the approval of its sole shareholder is expected to be

(10) Approval from the Nuclear Regulatory Commission ("NRC") will be obtained in connection with the movement of APS' interest in its nuclear generating assets, which will occur by year-end 2002. No NRC approval, however, is necessary in connection with the Reorganization involving APS' non-nuclear generating facilities. Approval of some plant participants may also be required.

obtained.(11) The approval of APS' Board of Directors is expected to be obtained in November 2000.

D. PURPOSE AND ANTICIPATED EFFECTS OF THE REORGANIZATION

The principal purpose of the Reorganization and the subsequent relocation of APS' nuclear generating facilities to PWE is to assure compliance with the provisions of the Competition Rules and the Settlement and provide PNW with increased financial, managerial, and organizational flexibility which will enable APS and PWE to effectively compete in a restructured utility industry. After extensive investigation and analysis, PNW has determined that the proposed Reorganization offers the best means of positioning the PNW system for future changes and opportunities and will enable PNW to take advantage of emerging business opportunities and manage risks to the benefit of both shareholders and customers. The Reorganization is the first step in a clear functional and corporate separation between PNW's competitive generation business, and its distribution and transmission business, enabling each company to focus its resources on more clearly defined product markets and services. The intent of the Reorganization and subsequent relocation of APS' nuclear generating facilities is to create a financially sound and responsive utility system which can provide utility services effectively and efficiently. Additionally, the corporate division along functional lines will provide a better structure for regulators to assure that there is no cross-subsidization of costs or transfer of business risk from the competitive generation business to the fully-regulated transmission/distribution business. Moreover, this type of corporate division of utility operations along functional lines is becoming a highly-desirable form of conducting both a regulated transmission/distribution business and a competitive generation business.

(11) As a wholly-owned subsidiary of PNW, APS' only shareholder is PNW.

The Reorganization will have no adverse effect on APS' existing electric utility operations. The Reorganization will not cause substantive changes in PNW's ultimate interest in existing utility businesses and will not involve the transfer or acquisition of any additional utility assets beyond those currently held by APS or those which may be developed or acquired by PWE in the future. The managers and employees in PNW's existing utility operations will continue to perform their existing functions -- either as employees of APS, the transmission/distribution company, or as employees of PWE, the generating company. Thus, even though day-to-day utility operations would not be affected, the benefits discussed above will accrue to PNW and its customers and shareholders as a result of the Reorganization and the subsequent relocation of APS' nuclear generating facilities to PWE.

E. ADDITIONAL INFORMATION

No associate company or affiliate of PNW or APS, or any affiliate of any associate company of PNW or APS, has any direct or indirect material interest in the proposed Reorganization except as stated herein.

ITEM 2 FEES, COMMISSIONS AND EXPENSES

The fees, commission and expenses to be paid or incurred by PNW and APS in connection with the Reorganization are estimated as follows:

Auditors' Fee	*
Legal Fees	*
Miscellaneous.....	*
Total	*

* To be filed by amendment

ITEM 3 APPLICABLE STATUTORY PROVISIONS

Sections 9(a)(2) and 10 of the Act are applicable to the proposed Reorganization. As a result of the proposed Reorganization, PNW will have two wholly-owned, public-utility company subsidiaries, APS and PWE. Section 9(a)(2) of the Act requires Commission approval before a person may acquire more than 5% of the outstanding voting securities of more than one "public-utility company." The standards for approval of a transaction under Section 9(a)(2) of the Act are set forth in Section 10 of the Act. The relevant standards under Section 10 are set forth in Section 10(b), 10(c) and 10(f).

For the reasons explained below, the Commission should approve the Reorganization pursuant to Section 9(a)(2) of the Act because it complies with the applicable standards of Section 10. PNW respectfully requests that the Commission issue an order approving the Reorganization by December 1, 2000, so that PNW has sufficient time to complete the Reorganization on or before January 1, 2001.⁽¹²⁾ PNW anticipates moving most of the assets and personnel on or before January 1, 2001, ⁽¹³⁾ in order to facilitate calendar year record keeping, and believes that the time between the requested approval date of December 1, 2000, and the contemplated Reorganization is necessary to allow the transfer of personnel and to implement other aspects of the Reorganization.

(12) In the event the Commission does not issue its order by December 1, 2000, PWE intends to file an application with FERC for EWG status and limit its activities exclusively to the ownership and operation of eligible facilities and sale of power at wholesale in order to maintain EWG status until the Commission issues an order approving the Reorganization.

(13) As noted above, certain generating assets, such as PVNGS and combined cycle units 1, 2, and 3 at West Phoenix, may be moved to PWE at a later date.

A. APPROVAL OF THE REORGANIZATION UNDER SECTION 9(A)(2).

Section 9(a)(2) makes it unlawful, without approval of the Commission under Section 10, "for any person . . . to acquire, directly or indirectly, any security of any public-utility company, if such person is an affiliate . . . of such company and of any other public utility or holding company, or will by virtue of such acquisition become such an affiliate." By virtue of the proposed Reorganization, PNW will own more than 5% of the outstanding voting securities of two "public-utility companies" (APS and PWE) thus becoming an affiliate of both of these public-utility companies. Under Section 2(a)(5) of the Act, a "public-utility company" is an "electric utility company" or a "gas utility company." Under Sections 2(a)(3) and 2(a)(4) of the Act, an "electric utility company" is defined as "any company which owns or operates facilities used for the generation, transmission, or distribution of electric energy for sale . . ." Upon completion of the Reorganization, PWE will own and operate certain of APS' existing facilities for the generation of electric energy for sale, and APS will continue to own and operate its existing facilities for the transmission and distribution of electric energy for sale, as well as its nuclear generating facilities. Therefore, both PWE and APS will be public-utility companies within the meaning of the Act.

1. SECTION 10(B)

Section 10(b) provides that the Commission shall approve an acquisition pursuant to Section 9(a)(2) unless the Commission finds that:

- (1) such acquisition will tend towards interlocking relations or the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors, or consumers;
- (2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility

assets to be acquired or the utility assets underlying the securities to be acquired; or

(3) such acquisition will unduly complicate the capital structure of the holding- company system of the applicant or will be detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding- company system.

PNW respectfully submits that no adverse findings should be made under any of these provisions.

a. "DETRIMENTAL INTERLOCKING RELATIONS" OR "CONCENTRATION OF CONTROL" -- SECTION 10(B)(1)

Consistent with Section 10(b)(1) of the Act, PNW submits that the Reorganization will not tend towards interlocking relations or the concentration of control of public-utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or customers. The Reorganization involves the first step in the ultimate segregation of APS' existing utility assets and operations along functional lines into a generation company (PWE) and a transmission and distribution company (APS).

While there may be certain common directors and officers of PNW and the public-utility subsidiaries, these relations normally exist in public-utility holding company systems among affiliated and associated companies and should not be considered detrimental to the public interest or the interest of investors or consumers. See Central Maine Power Company, et al., Holding Co. Act Release No. 26903 (Aug. 7, 1998); CIPSCO, Inc., Holding Co. Act Release No. 25152, 47 SEC Docket 174 (Sept. 18, 1990).

Similarly, the Reorganization should not, within the meaning of Section 10(b)(1), be deemed to tend towards any "concentration of control of public-utility companies" that might be detrimental to the public interest, consumers or investors. The Reorganization will not involve

the acquisition or control of any utility assets or operations which are not already owned or controlled by PNW or its existing public-utility subsidiary, APS, or being developed by PWE, and "will therefore have no effect on the concentration of control of public-utility companies." Central Maine Power Company, et al., Holding Co. Act Release No. 26903 (Aug. 7, 1998); accord BEC Energy, et al., Holding Co. Act Release No. 26874 (May 15, 1998); Energy East Corp., Holding Co. Act Release No. 26834 (March 4, 1998); Wisconsin Energy Corp., Holding Co. Act Release No. 24267 (Dec. 18, 1996).

b. FAIRNESS OF CONSIDERATION AND FEES -- SECTION 10(B)(2)

Section 10(b)(2) of the Act requires the Commission to determine whether the consideration paid in connection with a proposed acquisition of securities is reasonable and bears a fair relation to the investment in and earning capacity of the utility assets underlying the securities being acquired.

The generating assets will be recorded on the books of PWE at net book value. In addition, PWE will assume certain outstanding debt associated with the generating assets being moved. The valuation of PNW's investment in the securities of PWE and APS will be adjusted accordingly to reflect the movement of these assets and the associated debt to PWE.(14)

(14) Specifically, PWE will assume APS' rights and obligations with respect to approximately \$180 million in pollution control bonds issued by Navajo County, Arizona, Pollution Control Corporation and Coconino County, Arizona, Pollution Control Corporation. These two series of bonds were issued by the respective pollution control corporations under two separate Indentures of Trust dated as of August 1, 1993 between the issuer and an independent trustee. In each case, the issuer loaned the proceeds of the bonds to APS under a Loan Agreement dated as of August 1, 1993, and APS is responsible to repay the loan by making payments on the bonds when due. APS' obligations are secured by First Mortgage Bonds issued by APS and delivered to the Trustee for the pollution control bonds. At the time generating assets are moved to PWE, APS will assign its rights and obligations under the Loan Agreements to PWE, and PWE will assume such obligations. APS will remain primarily liable for such obligations and the First Mortgage Bonds will remain outstanding.

PWE will also assume APS' obligations under another approximately \$60 million of pollution control bond debt, releasing APS from such obligations. No bondholder consent is required in connection with PWE's assumption of this debt. However, APS must give advance notice to the bondholders and any bondholder who does not wish to continue to hold the bonds may tender its bonds for purchase. In addition, if the issuance of a new letter of credit in substitution for the existing letter of credit supporting the bonds causes the ratings on the bonds to be lower than the existing rating, the bonds will be subject to a mandatory tender on the substitution date, and all the bonds will be subject to mandatory repurchase and remarketing on that date.

Since the Reorganization involves an entirely intra-company movement of existing assets from one wholly-owned subsidiary to another and not the acquisition of new assets or securities, PNW believes that the valuation established for the purposes of this asset transition is reasonable and bears a fair relationship to the sums invested in the assets. PNW, as the sole owner of both APS and PWE, can expect to earn a fair return on its investment in APS and its investment in PWE.

An estimate of the fees and expenses to be paid in connection with the Reorganization is stated in Item 2 above. Such fees and expenses will be reasonable and customary for a transaction of this kind and will not be material when measured against PNW's consolidated book value or the earning capacity of its assets. See, e.g., Energy East Corp., Holding Co. Act Release No. 27128 (Feb. 2, 2000).

c. COMPLICATION OF CAPITAL STRUCTURE -- SECTION 10(B)(3)

Section 10(b)(3) of the Act requires the Commission to determine whether the transaction will unduly complicate the capital structure of the PNW system, be detrimental to the public interest, the interest of the investors or consumers, or the proper functioning of the holding-company system. No such effect will result from the Reorganization.

The Reorganization will not involve the creation of any ownership interests other than those necessary to maintain the basic corporate relationships of the reorganized holding-company system. Pursuant to the Reorganization, PNW will continue to be the only issuer of publicly owned equity securities in the system. PNW will continue to own all of the outstanding common stock of PWE, APS, and PNW's existing non-utility subsidiaries; there will be no minority equity interest in any of PNW's public-utility subsidiaries. As noted above, certain pollution control bonds issued by APS will be assumed by PWE, but this will in no way complicate the capital structure of PNW, APS, or PWE. This type of capital structure is typical of a contemporary holding company system and is within the traditional standards of the Act.

Moreover, the Reorganization is a significant step toward the ultimate goal of creating separate entities to perform PNW's transmission/distribution business and its generation business in compliance with the ACC's Competition Rules and the Settlement. Consequently, because the Reorganization does not complicate the capital structure of PNW, APS, or PWE, the standards of Section 10(b)(3) of the Act are satisfied.

2. SECTION 10(C)

The relevant provisions of Section 10(c) of the Act state that the Commission shall not approve:

- (1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of Section 8 or is detrimental to the carrying out of the provisions of Section 11; or
- (2) the acquisition of securities or utility assets of a public-utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public-utility system

APS and PNW respectfully submit that no adverse determination should be made under either of these provisions.

a. SIGNIFICANT BENEFITS -- SECTION 10(C)(1)

Section 10(c)(1) prohibits an acquisition of securities which is "unlawful under the provisions of Section 8" or "detrimental to the carrying out of the provisions of Section 11." By their express terms, Sections 8 and 11 apply only to registered holding companies and do not apply to exempt holding companies. After the Reorganization, PNW will continue to be exempt from all provisions of the Act, except Section 9(a)(2), pursuant to Section 3(a)(1) of the Act since PNW and its utility subsidiaries, APS and PWE, will each be predominantly intrastate in character, carry on their businesses substantially in Arizona, and be organized in Arizona. Accordingly, Section 8 of the Act is inapplicable to the Reorganization.

For the purposes of the Commission's review of the proposed reorganization of a holding company, the relevant provision of Section 11 is Section 11(b)(2), which requires the Commission to find that "the corporate structure . . . of any company in the holding-company system does not unduly or unnecessarily complicate the structure . . . of such holding-company system." In that connection, the Commission has construed this requirement, "to mean that the structural change must result in significant benefits to the holding-company system." CIPSCO Inc., Holding Co. Act Release No. 25152, 47 SEC Docket at 178 (Sept. 18, 1990); accord Central Maine Power Company, et al., Holding Co. Act Release No. 26903 (Aug. 7, 1998); BEC Energy, et al., Holding Co. Act Release No. 26874 (May 15, 1998); Energy East Corp., Holding Co. Act Release No. 26834 (March 4, 1998).

As discussed above in Section D of Item 1, the corporate structure resulting from the Reorganization will yield significant benefits. Most importantly, the Reorganization and subsequent move of APS' nuclear generating facilities to PWE will enable APS to implement the requirements of ACC Competition Rules and Settlement. In addition, segregation of the separate

utility functions into separate corporations dedicated solely to those functions will: (1) enable the executives, officers, and managers of APS and PWE to concentrate on the delivery of cost efficient and effective utility services responsive to the needs of customers; (2) allow PNW's subsidiaries and affiliates to be more competitive in their businesses; (3) segregate the financial and legal risks associated with those businesses; (4) ensure that there is no cross-subsidization of costs or business risk; and (5) aid the investment community in analyzing and valuing individual lines of business. In cases involving corporate reorganizations or the formation of holding companies, the Commission has held that the existence of these kinds of potential benefits satisfies the statutory standard of Section 10(c)(1). See, e.g., Central Maine Power Company, Holding Co. Act Release No. 26903 (Aug. 7, 1998); Atlanta Gas Light Company, Holding Co. Act Release No. 26482, 61 SEC Docket 1057 (March 5, 1996); SIGCORP, Inc., Holding Co. Act Release No. 26431, 60 SEC Docket 90 (Dec. 14, 1995); PP&L Resources, Inc., Holding Co. Act Release No. 26248, 58 SEC Docket 2634 (March 10, 1995); CIPSCO Inc., Holding Co. Act Release No. 25152, 47 SEC Docket 174 (Sept. 18, 1990); Wisconsin Energy Corp., Holding Co. Act Release No. 24267 (Dec. 18, 1996).

b. ECONOMICS AND EFFICIENCIES OF AN INTEGRATED SYSTEM - SECTION 10(C)(2)

Under Section 10(c)(2), the Commission must find that the Reorganization tends towards the economical and efficient development of an integrated public utility system. PNW respectfully submits that this standard is met in this case.

(i) ECONOMICS AND EFFICIENCIES

A number of economies and efficiencies will result from the PNW structure. Some of these benefits are described in Section D of Item 1 and Section A.2.a of Item 3, above. Overall, the Reorganization will permit a more efficient way to take advantage of competitive opportunities in the electric utility industry. Separating the competitive generation business from the regulated transmission/distribution operations will increase the ability of the system to take advantage of market opportunities and enable each entity to focus its resources on more clearly defined product markets and services.

(ii) INTEGRATED PUBLIC UTILITY SYSTEM

The electric utility system of PNW is presently "integrated" within the meaning of Section 2(a)(29) of the Act and will remain so after the Reorganization.

The standards that must be met for an electric utility system to be integrated within the meaning of Section 2(a)(29) of the Act are:

- (1) the utility assets are to be physically interconnected or capable of physical interconnection and under normal conditions may be economically operated as a single interconnected and coordinated system;
- (2) the operations of the system are confined to a single area or region, that is not so large as to impair the advantages of localized management, efficient operation, and the effectiveness of regulation.

The Reorganization will not affect the physical interconnections associated with PNW's existing utility system. All of APS' existing interconnections will remain intact after the Reorganization. The Reorganization will maintain a continuous, geographically compact system with the same physical interconnections as exist today. Similarly, the area of operations of the system will not be affected by the Reorganization and will continue to be primarily confined to a single area (e.g., APS' existing service territory in Arizona) that is not so large as to impair the advantages of

continuing localized management, efficient operation, and effective regulation. See CP&L Energy, Inc., Holding Co. Act Release No. 27188 (June 15, 2000); Central Maine Power Company, et al., Holding Co. Act Release No. 26903 (Aug. 7, 1998).

3. SECTION 10(F)

Section 10(f) provides that "[t]he Commission shall not approve any acquisition . . . under this Section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State laws would be detrimental to the carrying out of the provisions of Section 11"

The Reorganization is conditioned on full compliance with the laws of the Arizona. APS is currently and will remain subject to the jurisdiction of the ACC with respect to the provision of retail electric service. APS and PNW have received the necessary approval from the ACC to proceed with the Reorganization. Copies of this ACC approval is filed as Exhibit D-5 hereto.

For the reasons stated above, the proposed Reorganization meets the standards set forth in Sections 9(a)(2) and 10. The Reorganization involves the first step in the segregation of APS' existing utility assets and operations along functional lines into a wires company and a generation company. The Reorganization will not unduly complicate the capital structure of the PNW system; nor will the Reorganization be detrimental to the public interest, the interests of investors or consumers, or the proper functioning of this system. Also, the Reorganization will yield significant benefits by allowing PNW's public-utility subsidiaries to more effectively compete in the electric utility industry. Therefore, the Commission should by order approve the Reorganization.

B. PNW WILL CONTINUE TO CLAIM A SECTION 3(A)(1) EXEMPTION AFTER THE REORGANIZATION.

Section 3(a)(1) of the Act makes an exemption from all of the provisions of the Act, except for Section 9(a)(2), available to a holding company, if "such holding company, and every subsidiary company thereof which is a public-utility company from which such holding company derives, directly or indirectly, any material part of its income, are predominately intrastate in character and carry on their business substantially in a single State in which such holding company and every such subsidiary company thereof are organized." After the Reorganization is complete, PNW and its two public-utility subsidiaries -- APS and PWE -- will be predominantly intrastate in character and will carry on their business substantially in Arizona, the state in which they are all organized.⁽¹⁵⁾ In this regard, PNW will continue to claim an exemption pursuant to Section 3(a)(1) of the Act and Rule 2 of the Commission's regulations, by filing annual exemption statements on Form U-3A-2 following the Reorganization.

(15) While APS' existing power marketing division will be moved to PNW, and will continue to perform its power marketing activities on a nationwide basis, PNW's utility operations will still be predominately intrastate in character and conducted primarily in Arizona. As noted above, the Commission Staff has indicated in a series of no-action letters that power marketers are not considered "electric utility companies" under Section 2(a)(3) of the Act and, therefore, are not "public-utility companies" under Section 2(a)(5) of the Act. See, e.g., Sunoco Power Marketing, L.L.C., SEC No-Action Letter, 1997 SEC No-Act. LEXIS 785 (July 24, 1997); Enron Capital & Trade Resources Corp., SEC No-Action Letter, 1997 SEC No-Act. LEXIS 287 (Feb. 13, 1997).

ITEM 4 REGULATORY APPROVAL

The Reorganization will require the approval of the ACC and FERC. APS has received an order approving the Reorganization from the ACC, a copy of which is attached hereto as Exhibit D-5. APS has also filed an application for approval of the proposed Reorganization with the FERC, a copy of which is attached as Exhibit D-1. A copy of the final FERC order pursuant thereto will be filed as Exhibit D-2 by amendment hereto. Other than such enumerated approvals and the approval of the Commission hereunder, no other approvals of utility regulatory authorities are required for the Reorganization and the movement of the non-nuclear generating assets to PWE.

ITEM 5 PROCEDURE

PNW respectfully requests that there be no 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. PNW also requests that there be no hearing on this application and that the Commission issue its order as soon as practicable after the filing hereof. PNW respectfully requests that the Commission issue and publish the requisite notice under Rule 23 with respect to the filing of this application not later than October 12, 2000, such notice to specify a date not later than November 13, 2000, by which comments may be entered and a date not later than December 1, 2000, as the date after which an order of the Commission granting and permitting this application to become effective may be entered by the Commission. A form of Notice is filed herewith as Exhibit H-1.

Without prejudice to its right to modify the same if a hearing should be ordered on this application, PNW hereby makes the following specifications required by paragraph (b) of Item 5 of Form U-1:

- (1) There should not be a recommended decision by a hearing officer or any other responsible officer of the Commission.
- (2) There should not be a 30-day waiting period between issuance of the Commission's order and the date on which the order is to become effective.
- (3) PNW consents to the Division of Investment Management assisting in the preparation of the Commission's decision or order in this matter, unless such Division opposes this application.

ITEM 6 EXHIBITS AND FINANCIAL STATEMENTS

It is requested that the Commission send copies of all communications to PNW as follows:

Herbert I. Zinn
Pinnacle West Capital Corporation
400 North Fifth Street
Mail Station 8695
Phoenix, Arizona 85004

Mary Ann K. Huntington
Morgan, Lewis & Bockius LLP
1800 M Street, N.W.
Washington, D.C. 20036

A. EXHIBITS

EXHIBIT NO. -----	DESCRIPTION OF DOCUMENT -----	METHOD OF FILING -----
A-1	Restated Articles of Incorporation of PNW.	Incorporated by reference; File No. 1-8962, PNW Form 10-K for the year ended December 31, 1999.
A-2	Restated Articles of Incorporation of APS.	Incorporated by reference; File No. 1-4473, APS Form 8-K (Sept. 23, 1993)
A-3	Articles of Incorporation of PWE.	Filed herewith.
B-1	Form of Term Sheet	Filed herewith.
D-1	Application of APS, PNW and PWE to FERC for Authorization to Transfer Jurisdictional Facilities.	Filed herewith.
D-2	Order of FERC.	To be filed by amendment.
D-3	Retail Electric Competition Rules	Incorporated by reference; File No. 1-4473, filed as Exhibit 10.2 to APS Sept. 30, 1999 Form 10-Q Report

D-4	Comprehensive Settlement Agreement Related to the Implementation of Retail Electric Competition, filed with the Arizona Corporation Commission.	Incorporated by reference; File No. 1-4473, filed as Exhibit 10.1 to APS' May 14, 1999 Form 8-K Report.
D-5	ACC Approval of the Settlement Agreement.	Incorporated by reference; File No. 1-4473, filed as Exhibit 10.1 to APS' Sept. 1999 10-Q Report.
D-6	Amended Settlement Agreement	Filed herewith.
E-1	Map showing location of the generating facilities of APS that are being moved to PWE along with their related transmission facilities.	Filed herewith.
F-1	Signed initial opinion of counsel.	To be filed by amendment.
F-2	Past-tense opinion of counsel.	To be filed by amendment.
G-1	PNW, Form U-3A-2, "Statement by Holding Company Claiming Exemption under Rule U-2 from the Provisions of the Public Utility Holding Company Act of 1935."	Incorporated by reference; File No. 69-306, dated Feb. 29, 2000.
H-1	Form of Notice	Filed herewith.

B. FINANCIAL STATEMENTS

STATEMENT NO. -----	DESCRIPTION OF DOCUMENT -----	METHOD OF FILING -----
FS-1	Historical consolidated financial statements of PNW	Incorporated by reference to Annual Reports on Form 10-K for the years ended 1999, 1998 and 1997
FS-2	Historical consolidated financial statements of APS	Incorporated by reference to Annual Reports on Form 10-K for the years ended 1999, 1998 and 1997

Although separate financial statements for PWE have not been included, PWE's financial information is included in the consolidated financial statements of PNW.

ITEM 7 INFORMATION AS TO ENVIRONMENTAL EFFECTS

None of the matters that are the subject of this application and declaration involves a "major federal action" nor do any of them "significantly affect the quality of the human environment" as those terms are used in Section 102(2)(C) of the National Environmental Policy Act. The transaction that is the subject of this application will not result in changes in the operation of the company that will have an impact on the environment. Neither APS nor PNW are aware of any federal agency that has prepared or is preparing an environmental impact statement with respect to the transactions that are the subject of this application.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this Application to be signed on its behalf by the undersigned thereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION

By: Barbara M. Gomez

Its: Treasurer

Date: September 12, 2000

Phoenix, Arizona

EXHIBIT A-3

ARTICLES OF INCORPORATION

OF

PINNACLE WEST ENERGY CORPORATION

FIRST: The name of the corporation is Pinnacle West Energy Corporation.

SECOND: The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time. The character of business which the corporation initially intends actually to conduct in the State of Arizona is development, production and sale of wholesale energy.

THIRD: The aggregate number of shares that the corporation shall have authority to issue is One Hundred (100) common shares, all of which shares shall be of a single class and shall have a par value of \$.01 per share.

FOURTH: The name and street address in Arizona of the initial statutory agent of the corporation is CT Corporation System, 3225 North Central Avenues, suite 1601, Phoenix, Arizona 85012. The street address of the initial known place of business of the corporation in Arizona is 400 North 5th Street, Station 9068, Phoenix, Arizona 85004.

FIFTH: The number of directors constituting the initial board of directors of the corporation is two (2). The names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders, or until their successors are elected and qualified, are:

Name -----	Address -----
William J. Post	400 North Fifth Street Phoenix, AZ 85004
William L. Stewart	400 North Fifth Street Phoenix, AZ 85004

The number of persons to serve on the board of directors thereafter shall be fixed by the bylaws of the corporation.

SIXTH: The name and address of the incorporator is Pinnacle West Capital Corporation, 400 East Van Buren, Phoenix, Arizona 85004.

SEVENTH: The liability of a director or former director to the corporation or its shareholders shall be eliminated to the fullest extent permitted by Section 10-202.B.1 of the Arizona Revised Statutes.

If the Arizona Business Corporation Act is amended to authorize corporate action further eliminating or limiting the liability of directors, the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Arizona Business Corporation Act, as amended.

Any repeal or modification of this Article Seventh shall not adversely affect any right or protection of a director of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

The provisions of this Article Seventh shall not be deemed to limit or preclude indemnification of a director by the corporation for any liability of a director which has not been eliminated by the provisions of this Article Seventh.

EIGHTH: The corporation shall indemnify any and all of its existing and former directors and officers to the fullest extent permitted by Section 10-202.B.2 of the

Arizona Business Corporation Act. If the Arizona Business Corporation Act is amended to authorize corporate action broadening the corporation's ability to indemnify its directors and officers, the corporation shall indemnify its existing and former directors and officers to the fullest extent permitted by the Arizona Business Corporation Act, as amended. Any repeal or modification of this Article Eighth shall not adversely affect any right or protection of any existing or former director or officer of the corporation existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

DATED: September 27, 1999

PINNACLE WEST CAPITAL CORPORATION

By: Michael V. Palmeri

Michael V. Palmeri Vice President/Finance Incorporator

EXHIBIT B-1

TERM SHEET

The following is a summary of all material terms and conditions relating to the relocation by Arizona Public Service Company, an Arizona corporation ("APS") of its

a. electric generating business and assets (the "Generating Assets"), as more particularly defined below, which will be moved to APS's affiliate, Pinnacle West Energy Corporation, an Arizona corporation ("PWEC"); and

b. bulk power marketing and trading assets (the "Bulk Power Assets") which will be moved to Pinnacle West Capital Corporation, an Arizona corporation ("PWCC"),

in conjunction with an overall corporate reorganization by PWCC, APS's parent company, which is, in substantial respect, undertaken in furtherance of a Settlement Agreement, dated May 14, 1999, and approved by the Arizona Corporation Commission (the "ACC") on October 6, 1999 in its Decision No. 61973.

EXECUTIVE SUMMARY:

In furtherance of an overall corporation reorganization, APS intends to move its

a. Generating Assets, as described below, in two (2) stages, to two (2) newly created subsidiaries (respectively, "Subsidiary A" and "Subsidiary B") that will each be merged into PWEC; and

b. Bulk Power Assets that will be relocated to PWCC.

The bulk of APS's Fossil Assets and Solar Assets (as defined below) will be moved to Subsidiary A by January 1, 2001, and APS's Nuclear Assets (as defined below) will be moved to Subsidiary B by December 31, 2002. APS's Bulk Power Assets will be moved to PWCC by January 1, 2001.

Simultaneously with each stage of the relocation of Generating Assets, APS will divest itself of its ownership interest in Subsidiary A and Subsidiary B, respectively, by transferring the common stock of each subsidiary to PWCC. PWCC will then merge each subsidiary into its wholly owned subsidiary, PWEC, thereby completing the move of APS's Generating Assets to its affiliate, PWEC. Any Fossil Assets, as defined below, that are not moved to PWEC by January 1, 2001, will be moved to PWEC using a similar subsidiary transaction by December 31, 2001. The Bulk Power Assets will be moved directly to PWCC.

As a result of this corporate reorganization, by January 1, 2003, APS shall be engaged in the transmission and distribution of electricity in the State of Arizona, and will no longer be engaged in the generation of electricity. PWEC shall be engaged in the generation and sale of electricity to wholesale customers in the region bounded by the Western States Coordinating Council. By

January 1, 2001, PWCC will assume the bulk power marketing and trading activities that were previously conducted by APS.

THE PLAN OF REORGANIZATION

1. GENERATING ASSETS:

- 1.1. Palo Verde Nuclear Generating Station - Wintersburg, Arizona
- 1.2. Four Corners Generating Station - Fruitland, New Mexico
- 1.3. Navajo Generating Station - Page, Arizona
- 1.4. Cholla Generating Station - Joseph City, Arizona
- 1.5. West Phoenix Generating Station - Phoenix, Arizona
- 1.6. Ocotillo Generating Station - Tempe, Arizona
- 1.7. Saguaro Generating Station - Red Rock, Arizona
- 1.8. Yucca Generating Station - Yuma, Arizona
- 1.9. Douglas/Fairview Generating Station - Douglas, Arizona
- 1.10. Various grid-connected solar generating facilities located in the State of Arizona

Item 1.1 is referred to herein as the "Nuclear Assets."

Items 1.2 through 1.9 are referred to herein as the "Fossil Assets." Item 1.10 is referred to herein as the "Solar Assets."

BULK POWER ASSETS

Various agreements relating to the purchase and sale of bulk electric power, emission allowances, natural gas, and other energy-related commodities, together with infrastructure and related items of tangible personal property used or useful in connection with the conduct of bulk power trading activities.

2. ESTABLISHED ASSET VALUE:

For purposes of the reorganization, the Generating Assets and the Bulk Power Assets will be valued at APS's book value as of the Closings referred to in Sections 3.1.1 and 3.1.2, below.

3. OTHER MATERIAL TERMS AND CONDITIONS:

3.1 Effective Dates:

3.1.1 The bulk of the Fossil Assets, the Solar Assets and the Bulk Power Assets will be moved on or before January 2, 2001. Any remaining Fossil Assets will be moved by December 31, 2001.

3.1.2 The Nuclear Assets will be moved by December 31, 2002.

3.2 Conditions and Approvals Required as a Condition of the Reorganization:

- 3.2.1 Third Party Approvals and Consents: The reorganization will be subject to certain approvals and consents:
 - 3.2.1.1 Participant approvals, to the extent applicable, for the Four Corners Generating Station, Navajo Generating Station and Palo Verde Nuclear Generating Station.
 - 3.2.1.2 Third party consents to assignment and transfer of various contracts, licenses, leases, easements, permits, etc., necessary and useful for the operation of the assets being transferred (E.G., goods and services).
- 3.2.2 Regulatory Requirements: The reorganization will be subject to certain regulatory requirements:
 - 3.2.2.1 Federal Energy Regulatory Commission ("FERC") approval under Section 203 of the Federal Power Act.
 - 3.2.2.2 Receipt of favorable letter rulings from the Internal Revenue Service that the proposed reorganization will be tax free.
 - 3.2.2.3 Final approval by the Securities Exchange Commission, pursuant to Section 9(a)(2) of the Public Utility Holding Company Act ("PUHCA"), that PWCC, as an exempt holding company, may acquire an interest in PWEC, a public utility for purposes of PUHCA; or alternatively, a determination by the FERC that PWEC is an exempt wholesale generator under Section 32 of PUHCA.
 - 3.2.2.4 Permit transfer approvals from various Federal, State and local environmental regulatory authorities.
 - 3.2.2.5 Approval by the Nuclear Regulatory Commission of the transfer of the Palo Verde Nuclear Generating Station Operating License from APS to PWEC.
- 3.2.3 Other Conditions

On the effective dates of the reorganization, indicated above, the parties will deliver all appropriate instruments and documents as necessary to accomplish the relocation of the Generating Assets and Bulk Power Assets to PWEC and PWCC, respectively, including necessary instruments of title and assignments of all contracts, permits, authorizations, leases, water rights, easements and rights-of-way used and useful to ownership or operation of the Assets.

EXHIBIT D-1

[LETTERHEAD OF MORGAN, LEWIS & BOCKIUS LLP]

July 28, 2000

Honorable David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Application of Arizona Public Service Company, Pinnacle West Capital Corporation, and Pinnacle West Energy Corporation for Authorization to Transfer Jurisdictional Facilities, Docket No. EC00- -000

Dear Secretary Boergers:

Pursuant to Section 203 of the Federal Power Act, 16 U.S.C. ss. 824b (1994), and Part 33 of the regulations of the Federal Energy Regulatory Commission, 18 C.F.R. Part 33, Arizona Public Service Company ("APS"), Pinnacle West Capital Corporation ("PWCC"), and Pinnacle West Energy Corporation ("PWE") (jointly "Applicants"), hereby submit for filing six copies of an Application for Authorization to Transfer Jurisdictional Facilities.

Applicants are making this filing in connection with the proposed corporate restructuring of APS, under which APS will separate its generation and wholesale marketing businesses, from its transmission and distribution businesses. Applicants developed the restructuring plan in order to comply with the Arizona retail choice program, which provides for the introduction of customer choice for retail customers, and requires APS to divest its generation assets. As demonstrated in the body of the Application, the proposed transfer of jurisdictional facilities raises no competitive or other concerns, and is in the public interest.

A form of notice suitable for publication in the FEDERAL REGISTER and a copy of the notice on a computer diskette are attached hereto. Applicants have served a copy of this Application on the Arizona Corporation Commission and the New Mexico Public Regulation Commission. In addition, copies of this transmittal letter have been sent to all customers under each of the wholesale power sales contracts, tariffs, and service agreements that APS seeks authorization under Section 203 to transfer to an affiliate.

Any of these customers that desire a copy of the Application should contact the undersigned.

If you have any questions about this filing, please feel free to contact me.

Respectfully submitted,

John D. McGrane

John D. McGrane Morgan, Lewis & Bockius LLP 1800 M Street, N.W.

Washington, D.C. 20036-5869
Phone: (202) 467-7000

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Attorneys for
Arizona Public Service Company
Pinnacle West Capital Corporation
Pinnacle West Energy Corporation

Enclosures

cc: Arizona Corporation Commission
New Mexico Public Regulation Commission

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Arizona Public Service Company)	Docket No. EC00-_____
Pinnacle West Capital Corporation)	
Pinnacle West Energy Corporation)	

**APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY,
PINNACLE WEST CAPITAL CORPORATION, AND
PINNACLE WEST ENERGY CORPORATION
FOR AUTHORIZATION TO TRANSFER
JURISDICTIONAL FACILITIES**

I. INTRODUCTION

Arizona Public Service Company ("APS"), and its affiliates Pinnacle West Capital Corporation ("PWCC") and Pinnacle West Energy Corporation ("PWE") (collectively, "Applicants"), submit this Application to obtain the approvals necessary to separate APS's generation and wholesale marketing businesses from its transmission and distribution businesses. APS is separating its generation and marketing functions from its transmission and distribution functions, in accordance with the Arizona retail choice program and as a means of implementing the Settlement Agreement approved by the Arizona Corporation Commission ("ACC") which calls for the divestitures of APS's generation assets. Upon completion of the proposed corporate restructuring, PWE will own and operate APS's existing generating plants, and APS will become a "wires" company, owning and operating transmission and distribution facilities. PWCC will have a Marketing and Trading Department and act as a power marketer, and conduct trading and brokering functions on behalf of its subsidiaries APS, PWE, and APS Energy Services Company, Inc. ("APSES").

Part 33 of the Federal Energy Regulatory Commission's ("FERC" or the

"Commission") Regulations, 18 C.F.R. ss.ss. 33.1-33.10 (1999), Applicants seek authorization for:

1. the transfer from APS to PWE, directly or indirectly, of certain jurisdictional facilities;
2. the transfer from APS to PWE, directly or indirectly, of certain operational agreements to PWE; and
3. the transfer from APS to PWCC of certain wholesale power sales contracts, APS's Electric Coordination Tariff and accompanying service agreements, and certain service agreements under APS's Market-Rate Tariff including any new agreements APS enters into under its market-rate tariff up to and until the time of transfer.

Upon the transfer of APS fossil generation resources to PWE, contemplated to occur on or before January 1, 2001, PWE will sell the output from its generation resources to PWCC. Under the restructuring plan, PWCC will, in turn, provide APS with all of its generation-related ancillary services pursuant to agreements to be filed with the Commission.(1) These arrangements will allow APS to continue providing ancillary services at the existing rates in its OATT until a market for ancillary services develops in Arizona.

(1) Specifically, PWE intends to file an application for authorization to sell power at market-based rates in a separate but concurrent filing. At that time, PWE will also file an agreement for the sale of generation related ancillary services to PWCC at exactly the same rates that APS currently charges transmission customers under its OATT. To the extent additional generation related ancillary services may be required by the Commission or pursuant to protocols to be filed by the Arizona Independent System Administrator, PWE will supply those services to PWCC. PWCC will then in turn provide ancillary services to APS, again at the same rates currently charged by APS under its OATT. PWE and PWCC will reserve the right to change such rates and services as their costs of providing such service change, or as conditions warrant.

II. REQUEST FOR EXPEDITED APPROVAL AND REQUESTED EFFECTIVE DATES

The approvals that Applicants request are necessary to implement Arizona's retail choice plan for the Applicants. Accordingly, Applicants request that the Commission issue an order no later than November 30, 2000, approving the Section 203 application and request expedited consideration to the extent necessary. Applicants note that they anticipate transferring most of the assets and personnel at year-end, in order to facilitate calendar year record keeping, and believe that the time between the requested approval date of November 30 and the contemplated transfer is necessary to allow the transfer of personnel and to implement other aspects of the transaction. Applicants will promptly notify the Commission upon the consummation of the transactions described herein.

III. PROPOSED RESTRUCURING PLAN OF THE APPLICANTS

A. DESCRIPTION OF THE PARTIES

PWCC: PWCC is an Arizona corporation whose principal place of business is located at 400 North 5th Street, Phoenix, Arizona. PWCC is a holding company that is exempt from registration under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), by virtue of Section 3(a)(1) of PUHCA and Rule 2 of the regulations of the Securities and Exchange Commission ("SEC"). PWCC is the parent company of APS, PWE, and APSES. At present, PWCC has no electric-utility company subsidiaries, other than APS. PWCC has two non-utility subsidiaries, El Dorado Investment Company, an investment firm with a portfolio consisting of venture capital, limited partnerships, and other holdings, and SunCor Development Company, a real estate developer invested in planned communities and commercial/industrial projects.

PWCC is also a power marketer. On June 20, 2000, the Commission conditionally accepted for filing a proposed market-based rate tariff and code of conduct for PWCC in Docket No. ER00-2268-000. As ordered by the Commission, PWCC submitted a compliance filing to resolve the remaining concerns of the Commission regarding potential affiliate abuse and the effect of affiliate transactions on captive wholesale customers with fuel adjustment clauses. PWCC will market power and energy that it purchases and will engage in wholesale marketing and brokering activities.

APS: APS is a public service corporation organized under the laws of the State of Arizona, engaged in the business of generating, transmitting and distributing electricity in all or part of eleven of Arizona's fifteen counties. APS owns or partially owns a number of generating assets. A list of the transmission assets that APS is transferring to PWE is included as Attachment A. The transmission assets being transferred are facilities functionalized to production - such as step-up transformers and related equipment. A list of the contracts that APS will be transferring to PWE and PWCC is included in Attachment B. APS is authorized to sell wholesale power and energy at market-based rates.⁽²⁾ In its order granting market-base rate authority to APS, the Commission found that APS does not possess market power.⁽³⁾ APS has an OATT on file with the Commission.⁽⁴⁾

PWE: PWE was formed as a subsidiary of its parent company, PWCC, for the purpose of owning and operating wholesale generating facilities. PWE was incorporated

(2) SEE ARIZONA PUBLIC SERVICE CO., 79 FERC. & 61,022 (1997). APS recently filed an updated market analysis concerning its market-based rates. SEE ARIZONA PUBLIC SERVICE CO., Docket No. ER00-1875-000 (March 14, 2000).

(3) SEE ARIZONA PUBLIC SERVICE CO., 79 FERC. & 61,022, at 61,098-99.

(4) Docket Nos. OA96-153-000, ER96-2401-000.

in Arizona on September 27, 1999, and currently has no operating generating facilities that are subject to the Commission's jurisdiction. Upon transfer of APS's generating assets to PWE, PWE will become a generating company⁽⁵⁾ and APS will become primarily a wires company. PWE will generally sell the output from its generating facilities to PWCC but may sell a portion to other wholesale customers.

Diagrams showing the corporate relationships between PWCC, APS, and PWE before and following consummation of the transaction are attached as Appendices A and B.

B. ARIZONA RESTRUCTURING

The Applicants developed the restructuring plan in response to the changes currently underway in the wholesale and retail sectors of the electric and gas industries in Arizona and elsewhere. Specifically in Arizona, the ACC has implemented a plan and rules to permit retail access. On October 6, 1999, the ACC approved a Settlement Agreement between APS and several customer groups and consumer advocates resolving retail electric competition-related issues and approving unbundled tariffs.⁽⁶⁾ Under the terms of the Electric Competition Rules of the ACC and APS's Settlement Agreement, retail choice for APS's retail customers is being phased-in. All of APS's retail customers will be entitled to choose their retail power supplier beginning January 1, 2001.⁽⁷⁾ Remaining retail customers of APS taking service under "standard offer" bundled rates

(5) PWCC currently anticipates seeking approval from the Securities and Exchange Commission ("SEC") under Section 9(a)(2) of Public Utilities Holding Company Act of 1935, as amended ("PUHCA"), in connection with the transfer since it will result in PWE becoming a public-utility company; alternatively, PWE will file for exempt wholesale generator status under Section 32 of PUHCA. (6) ACC Decision No. 61973.

(7) SEE Attachment D - ACC approved Settlement Agreement,ss.1.1.

will be subject to planned rate reductions that will continue until July, 2004.(8) Under the Settlement Agreement, APS is entitled to apply for a change in the agreed upon rate reductions only in the event of an emergency or a material change in its cost of service as a result of specified extraordinary events. The approved Settlement Agreement also requires that APS divest its generation assets by December 31, 2002, but allows APS to divest its assets to an affiliate.(9)

C. APPLICANTS PLAN TO IMPLEMENT ARIZONA RESTRUCTURING

In response to the state restructuring proceedings, PWCC formed APSES, a marketer of electricity and energy-related services to primarily retail customers in Arizona and California, and PWE, a corporation formed to engage in the business of owning and operating generating facilities in Arizona and elsewhere. To further comply with state restructuring, APS is now transferring its existing generating assets, and requesting the authority to transfer associated transmission plant, and existing generation operating agreements to PWE. Additionally, APS is requesting the authority to transfer certain existing wholesale power sales agreements to PWCC.

To implement the actual transfer of facilities after Commission approval, APS intends the following transactions. As previously mentioned APS and PWE are direct and wholly-owned subsidiaries of PWCC. New subsidiaries will be created as needed to implement the transfer of facilities. The following transactions will occur on or about January 1, 2001, pursuant to a plan of reorganization. First, APS will contribute its fossil and applicable solar generation assets and its operational agreements to one or more of these newly formed subsidiaries (hereafter all will be referred to as a "Transitory

(8) SEE Attachment D - ACC approved Settlement Agreement,ss.ss.2.2, 2.6, 2.7.

(9) SEE Attachment D - ACC approved Settlement Agreement,ss.4.1.

Subsidiaries"). This transaction is intended to qualify as a tax-deferred reorganization under IRC Section 368(a)(1)(D). Second, APS will distribute or cause to be distributed all of the stock of a Transitory Subsidiary to PWCC in a transaction intended to qualify as a tax-deferred spin-off under IRC Section

355. Third, under state law, the Transitory Subsidiary will then be merged into PWE (with PWE surviving) in a transaction intended to qualify as a tax-deferred statutory merger under IRC Section 368(a)(1)(A). It is contemplated that the three aforementioned transactions will occur simultaneously.

APS also intends to transfer certain wholesale power contracts to PWCC in a similar manner as described above with the use of a different subsidiary (in this case, the subsidiary will be merged into PWCC). Following approval of such transfer, APS will transfer the contracts and, as required in Section 35.16 of the Commission's regulations, file a Notice of Succession within 30 days. At that time, APS will refile each agreement with the Commission in accordance with the Commission's recent ruling on rate schedule designations.(10)

The transfer of the APS nuclear facilities is contemplated to occur by the end of 2002 pursuant to the current plan of reorganization. APS intends to use the same mechanism as described above for the other generating assets for transferring the nuclear assets to PWE. The delay in transferring the nuclear assets is to ensure additional time to adequately address complicated contractual arrangements, such as sale/leaseback provisions, in place amongst the various owners of the nuclear facilities. There are also certain financial and economic considerations that must be resolved before the actual transfer of nuclear assets can take place. APS will inform the Commission when the

(10) SEE DESIGNATION OF ELECTRIC RATE SCHEDULE SHEETS, Order No. 614, 90 FERC. & 61,352 (2000).

actual transfer of its nuclear generating units takes place.

The proposed restructuring plan of the Applicants will help PWCC and its affiliates adapt their electric businesses to new and changing markets. The restructuring plan will allow PWCC and its affiliates to better compete in these markets and permit better service for customers and shareholders.

IV. APPLICATION PURSUANT TO SECTION 203

Section 203 of the FPA requires Commission approval for the disposition of facilities that are subject to the Commission's jurisdiction and have value in excess of \$50,000. APS owns and operates step-up transformers and associated transmission facilities at its generating facilities that will be included in the direct or indirect transfer of assets to PWE. APS also has existing wholesale contracts that will be transferred to PWCC and PWE and these contracts are considered "facilities." SEE ENRON POWER MARKETING, INC., 65 FERC P. 61,305

(1993). Accordingly, the instant transaction involves a disposition of jurisdictional facilities requiring Commission approval. The Commission will approve such a disposition if it concludes that the transaction is consistent with the public interest. SEE, E.G., BOSTON EDISON CO., 80 FERC P. 61,274

(1997). In analyzing the effect of the disposition on the public interest, FERC generally considers the following three factors: (1) the effect on competition,

(2) the effect on rates, and (3) the effect on regulation. As shown below, the proposed transfer of jurisdictional assets is in the public interest. The transfer will actually benefit the public interest, as it will facilitate the restructuring of the electric power industry in Arizona by (1) finalizing the implementation of retail access in Arizona as promulgated by the ACC, (2) allowing competition in the generation markets, and (3) enabling APS to operate its transmission system as a "wires" only company.

A. THE EFFECT ON COMPETITION

The restructuring plan of the Applicants reflects the type of structural changes that are becoming typical in the evolving competitive electric marketplace. The restructuring will properly align the generation business into one unit, the transmission and distribution business into another, and the wholesale power marketing function in still another unit. Such an alignment will be beneficial to the competitive marketplace because it will allow each entity to focus exclusively on its core business. Because this restructuring is internal to the Pinnacle West corporate family, there are no competitive impacts from the transfers contemplated herein. SEE, E.G., PECO ENERGY CO., 90 FERC P. 61,269, at 61,903 (2000); PUBLIC SVC. ELEC. & GAS, CO., 88 FERC P. 61,299, at 61,916 (1999) (finding that similar internal restructuring did not increase market concentration or affect competition).

Additionally, APS has had market rate approval for the past three years. On May 2, 2000, an updated market power study by APS was accepted by the Commission in Docket No. ER00-1875-000. The updated report shows that APS does not possess market power in the generation or transmission markets. In addition, PWCC recently received conditional approval for a market-based tariff in Docket No. ER00-2268-000.(11) Finally, PWE is filing for market-based rate approval in a separate but concurrent filing. Since neither APS, PWCC, or PWE possess market power in generation or transmission markets, the transfer of assets should not create any competitive issues. In fact, providing a competitive alternative for generation resources in the retail and wholesale markets, the transfer of assets will further competition to the benefit of all customers.

(11) As noted previously in III.A, on July 13, 2000, APS and PWCC submitted a compliance filing to address the sole remaining concern of the Commission regarding the treatment of APS's captive wholesale customers with fuel adjustment clauses.

B. THE EFFECT ON RATES

The transfer of assets should not affect the rates currently paid by retail and wholesale customers. APS does not intend to change its transmission rates, since none of the transmission assets being transferred to PWE are currently in APS's transmission rates reflected in its OATT. In order to deliver the output of the PWE generating assets, the entity purchasing the power will be required to use transmission service pursuant to APS's OATT.

As stated previously, the retail customers of APS are protected by rate reductions through July, 2004 and all retail customers will be able by January 1, 2001 to choose their electric supplier. Most of APS's wholesale transactions are currently conducted under market-based rates or through the Western System Power Pool and the transfer of assets should have no effect on their competitive rates. APS does have some cost-based wholesale rate customers, of which all but two can readily choose alternate power suppliers. APS does not believe the transfer of assets will harm its current wholesale customers. APS recently proposed measures that will protect wholesale customers from any potential affiliate abuse associated with affiliated transactions. To protect existing customers with system incremental cost (SIC) in their pricing provisions, APS will cap the pass-through of cost at the lesser of SIC or prices based on the Palo Verde Index. For customers with a fuel adjustment clause (FAC) in their contracts, APS has proposed that the customers would pay the lesser of a FAC calculated with inter-affiliate transactions included, a FAC calculated with the inter-affiliate transactions priced not as actual but at the Palo Verde Index price for a similar duration, or the average of the actual corrected FAC for the same month for 1998 or 1999 (SEE PINNACLE WEST CAPITAL CORPORATION, Docket No. ER00-2268-000). These protections will continue in place.

In addition, further protection to all customers regarding ancillary services will be provided. In separate Section 205 filings, appropriate agreements will be filed with the Commission that will provide APS with its generation related ancillary services. Inasmuch as the charges for such ancillary services currently included in APS's OATT are based on the fossil generation units to be transferred from APS to PWE, the costs associated with providing these ancillary services will be unchanged when the units are transferred. Upon the transfer of the assets, PWE will sell generation-related ancillary services to PWCC at rates identical to those in APS's OATT, and under a separate agreement, PWCC in turn will provide APS with its generation-related ancillary services at exactly the same charges. Under this arrangement APS is ensured of obtaining all its generation-related ancillary services, and will merely pass through to customers subscribing to such services the costs APS incurs for these services at exactly the same rates currently in APS's OATT. Indeed, by PWE becoming a separate entity with the above-mentioned safeguards, competition in the generation market should expand, and all customers should benefit.

C. THE EFFECT ON REGULATION

The Commission requires Applicants under Section 203 to evaluate the effect of a proposed transaction on regulation at both the Federal and state level. The Commission is mainly concerned with instances where (1) the transaction will shift regulatory authority from the Commission to the SEC or otherwise diminish Commission authority; or (2) the affected state commissions will not have authority to act on the proposed transaction.⁽¹²⁾

(12) SEE INQUIRY CONCERNING THE COMMISSION'S MERGER POLICY UNDER THE FEDERAL POWER ACT: POLICY STATEMENT, Order No. 592, FERC Stats. & Regs. & 30,110 (1996), at 30,124-25.

The transfer will not impair or diminish the Commission's jurisdiction in any respect. The restructuring plan of APS will not materially affect the ability of the Commission or state regulators to assert their regulatory jurisdiction over PWCC and its subsidiaries APS and PWE. After the transfer of assets, the Commission will continue to have jurisdiction over all of the existing wholesale transactions of APS that are being assigned to PWCC and PWE, and PWCC and PWE will be subject to federal regulation with respect to all of their wholesale power transactions. APS will continue to be subject to FERC oversight pertaining to transmission and wholesale power contracts. APS will also continue to be subject to state regulation pertaining to distribution rates and retail sales to standard offer customers under bundled rates. PWE will be under state regulation where the generation plants are located regarding applicable permitting and siting requirements. Finally, PWCC will continue to be an exempt holding company under PUHCA; therefore, the transfer will not result in any transfer of jurisdiction from the Commission to the SEC.

D. PUBLIC INTEREST CONCLUSION

Given that the proposed restructuring plan will have no adverse effect on competition, rates, or regulation, the Commission should find the plan consistent with the public interest.

V. FILING REQUIREMENTS UNDER PART 33

In accordance with the regulations, 18 C.F.R.ss. 33.2, Applicant states as follows:

A. EXACT NAME AND ADDRESS OF THE PRINCIPAL BUSINESS OFFICE OF APPLICANTS ARE:

Arizona Public Service Company
400 North Fifth Street
Phoenix, AZ 85004

Pinnacle West Capital Corporation
400 North Fifth Street
Phoenix, AZ 85004

Pinnacle West Energy Corporation
400 North Fifth Street
Phoenix, AZ 85004

B. NAMES AND ADDRESSES OF THE PERSONS AUTHORIZED ON BEHALF OF APPLICANTS TO RECEIVE NOTICES AND COMMUNICATIONS IN RESPECT TO THIS APPLICATION ARE AS FOLLOWS:

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C. DESIGNATION OF THE TERRITORIES SERVED BY APPLICANTS, BY COUNTIES AND STATES:

APS is an investor-owned utility engaged in the business of generation, transmission, distribution and sale of electricity in all or part of eleven of Arizona's fifteen counties. APS serves numerous wholesale customers with power, and provides various transmission services to wholesale marketers, other utilities, municipalities, Federal power marketing agencies, electric cooperatives, electric districts and irrigation districts within the State of Arizona. Neither PWE nor PWCC has any service territories.

D. GENERAL STATEMENT BRIEFLY DESCRIBING THE FACILITIES OWNED OR OPERATED FOR TRANSMISSION OF ELECTRIC ENERGY IN INTERSTATE COMMERCE OR THE SALE OF ELECTRIC ENERGY AT WHOLESALE IN INTERSTATE COMMERCE:

APS owns and operates generation resources and 4,283 miles of transmission facilities in Arizona and 140 miles of transmission facilities in New Mexico, and distribution facilities throughout much of Arizona. PWE will not possess transmission facilities other than the transmission facilities associated with generation plants that APS proposes to transfer to PWE. PWCC will not have any transmission facilities. Both PWCC and

PWE will have contracts and agreements with other parties that will be jurisdictional.

E. THIS APPLICATION SEEKS AUTHORIZATION OF THE COMMISSION TO TRANSFER:

As described in Section III of this Application, APS seeks to transfer certain FERC-jurisdictional facilities and operating agreements to PWE, a newly formed affiliate of its parent company, Pinnacle West Capital Corporation. The transfer of assets will be at their book value at the time of transfer. Their current value at the time of filing is \$24,514,216. Additionally, APS seeks to transfer to PWCC certain wholesale contracts, APS's Electric Coordination Tariff with all related service agreements, and certain service agreements under its market based tariff.

F. A STATEMENT OF FACILITIES TO BE DISPOSED OF, CONSOLIDATED, OR MERGED, GIVING A DESCRIPTION OF THEIR PRESENT USE AND OF THEIR PROPOSED USE AFTER DISPOSITION, CONSOLIDATION OR MERGER. STATE WHETHER THE PROPOSED DISPOSITION OF FACILITIES OR PLAN FOR CONSOLIDATION OR MERGER INCLUDES ALL THE OPERATING FACILITIES OF THE PARTIES OF THE TRANSACTION:

Attachment A contains a list of the jurisdictional transmission facilities that APS is transferring to PWE under this Application. The jurisdictional transmission facilities being transferred are step-up transformers and associated facilities located at or adjacent to the generation plants that APS is also transferring to PWE. As described in Section III of this Application, the transferred facilities will be utilized in the same manner as before the transfer. APS will continue to operate as a "wires" company with transmission and distribution assets.

Attachment B is a list of the contracts and service agreements that APS intends to transfer to PWE and PWCC. APS also seeks permission to transfer additional service agreements to PWCC that it may enter into between the time of this filing and when the actual transfer of contracts is approved.

G. A STATEMENT (IN THE FORM PRESCRIBED BY THE COMMISSION'S UNIFORM SYSTEM OF ACCOUNTS FOR PUBLIC UTILITIES AND LICENSEES) OF THE COST OF THE FACILITIES INVOLVED IN THE SALE, LEASE, OR OTHER DISPOSITION OR MERGER OR CONSOLIDATION. IF ORIGINAL COST IS NOT KNOWN, AN ESTIMATE OF ORIGINAL COST BASED, INSOFAR AS POSSIBLE, UPON RECORDS OR DATA OF THE APPLICANT OR ITS PREDECESSORS MUST BE FURNISHED, TOGETHER WITH A FULL EXPLANATION OF THE MANNER IN WHICH SUCH ESTIMATE HAS BEEN MADE, AND A DESCRIPTION AND STATEMENT OF THE PRESENT CUSTODY OF ALL EXISTING PERTINENT DATA AND RECORDS:

SEE Attachment C. The Applicants intend to account for the transfer in accordance with Electric Plant Instruction No. 5 and Account 102 of the

Commission's Uniform System of Accounts. Applicants will file the proposed accounting when they notify the Commission that the transfer is consummated.

H. A STATEMENT AS TO THE EFFECT OF THE PROPOSED TRANSACTION UPON ANY CONTRACT FOR THE PURCHASE, SALE OR INTERCHANGE OF ELECTRIC ENERGY:

The transfer of facilities will not have any effect upon the ability of APS, PWCC, or PWE to meet their contractual obligations. The transfer of transmission facilities is ancillary to the generating units being transferred and will not have any material effect on the existing transmission contracts of APS. SEE Section IV. B. on the discussion of how the APS restructuring plan will effect rates.

I. A STATEMENT AS TO WHETHER ANY APPLICATION WITH RESPECT TO THE TRANSACTION OR ANY PART THEREOF IS REQUIRED TO BE FILED WITH ANY OTHER FEDERAL OR STATE REGULATORY BODY:

The following other regulatory approvals have been or will be obtained to facilitate the transfer of assets:

* The approval of the settlement agreement on October 6, 1999 by the ACC authorized APS to transfer its generating assets to a separate affiliate to foster open retail access (SEE Attachment D). APS intends to inform the ACC at least thirty days before the actual transfer of the assets.

* Approval of the transfer of APS's interest in the Palo Verde Nuclear Generating Facility by the Nuclear Regulatory Commission pursuant to the Atomic Energy Act.

* Further approvals, if necessary, from the Securities and Exchange Commission and the Federal Communications Commission to complete the APS restructuring plan.

J. THE FACTS RELIED UPON BY APPLICANT TO SHOW THAT THE PROPOSED DISPOSITION, MERGER, OR CONSOLIDATION OF FACILITIES OR ACQUISITION OF SECURITIES WILL BE CONSISTENT WITH THE PUBLIC INTEREST:

SEE Section IV of the Application.

K. A BRIEF STATEMENT OF FRANCHISES HELD, SHOWING DATE OF EXPIRATION IF NOT PERPETUAL:

SEE Attachment E, List of County and Municipal Franchises.

L. A FORM OF NOTICE SUITABLE FOR PUBLICATION IN THE FEDERAL REGISTER, AS WELL AS A COPY OF THE SAME NOTICE IN ELECTRONIC FORMAT:

SEE Attachment F. An electronic version of the notice is included in the filing on a 3 1/2" diskette, in Wordperfect.

VI. REQUIRED EXHIBITS UNDER PART 33

EXHIBITS A, C, D, E, AND F:

Applicants request a waiver of the requirements to include Exhibits A, C, D, E, and F. Such a waiver is consistent with the Commission's NOTICE OF PROPOSED RULEMAKING: REVISED FILING REQUIREMENTS UNDER PART 33 OF THE COMMISSION'S REGULATIONS, IV FERC Stats. & Regs. P. 32,528, at 33,364 (1998), in which the Commission proposed to streamline the filing of the financial and accounting information currently required in Exhibits A, C, D, E, and F. Good cause exists to waive these filing requirements because the information required by these exhibits is not necessary for the Commission to render a decision on this Application. The Commission has recently approved other Applications for corporate realignments similar to this filing without detailed financial information. SEE, E. G., PUBLIC SERVICE ELECTRIC & GAS CO., 88 FERC P. 61,299 (1999). In accordance with the regulations, 18 C.F.R. ss. 33.3, Applicants attach the following exhibits to this Application:

EXHIBIT B: STATEMENT OF MEASURE OF CONTROL

The proposed transactions will not create new corporate relationships with third parties. All relevant entities are wholly owned subsidiaries of PWCC, which remains the parent company. A statement describing the measure of control or ownership is attached as Exhibit B.

EXHIBIT G: APPLICATION FILED WITH FEDERAL AND STATE REGULATORS

In the event Applicants file their Application with the Nuclear Regulatory Commission ("NRC") for approval to transfer APS's interest in the Palo Verde Nuclear Generating Facility to PWE prior to such time as the Commission has approved the instant Section 203 application, Applicants will submit a copy of the NRC Application to the Commission. Otherwise, Applicants request a waiver from the requirement to file Exhibit G.

EXHIBIT H: COPY OF ALL CONTRACTS BETWEEN APS AND PWE REGARDING THE PROPOSED TRANSFER OF ASSETS

As this Application is for an affiliate transfer, APS has not entered into any contracts to sell, lease, or otherwise dispose of the jurisdictional facilities that are the subject of this Application.

EXHIBIT I: MAP

A map showing the location of the generation facilities of APS that are being transferred to PWE along with their related transmission facilities is attached as Exhibit I.

VII. PROCEDURAL MATTERS

A. REQUEST FOR APPROVAL WITHOUT HEARING

Applicants respectfully request that the Commission approve the disposition of jurisdictional facilities associated with the restructuring that is occurring in Arizona on an expedited basis and without hearing based on the facts and supporting documents provided in this Application. The Application should support a finding that the transfer of assets is in the public interest and will promote competition.

B. WAIVER

To the extent necessary, Applicants request a waiver of the requirement to file a market analysis in accordance with Appendix A of the Merger Policy Statement and any other waiver the Commission deems necessary to approve this Application under Section 203. Given that this filing is required to accommodate restructuring in Arizona, and that there are no rate impacts on existing customers, the Applicants believe good cause is shown for such a waiver.

C. SERVICE AND COMMUNICATION

Applicants have served a copy of this Application on the ACC and the New Mexico Public Regulation Commission. Applicants have also served a copy of the transmittal letter accompanying this filing on all customers under APS wholesale contracts and service agreements that are being transferred to either PWCC or PWE. Applicants will provide any of the above customers with a complete copy of this filing upon request.

Communications regarding this Application should be addressed to the following persons, who are also designated for service in this proceeding:

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VIII. CONCLUSION

For the foregoing reasons, Applicants respectfully request the Commission (1) to authorize the transfer of FERC-jurisdictional facilities required to implement APS's restructuring plan as described in this Application, (2) to approve the Application without hearing, and (3) to grant waiver of any filing requirements or other regulations as the Commission may find appropriate to allow approval of the transfer of assets from APS to PWE, directly or indirectly, and the transfer of jurisdictional rate schedules from APS to PWCC and PWE.

Respectfully submitted,

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AMERICAN ELECTRIC POWER
1 RIVERSIDE PLAZA
COLUMBUS, OH 43215-2373

WILLIAM D. BAKER, ESQ.
ELLIS & BAKER
2111 EAST HIGHLAND, SUITE 355
PHOENIX, AZ 85016

HENRY A. BRUBAKER, PRESIDENT
AGUILA IRRIGATION DISTRICT
P.O. BOX 263
AGUILA, AZ 85320

AMERICAN HUNTER ENERGY, INC.
1100 LOUISIANA, SUITE 5025
HOUSTON, TX 77002

JAY I. MOYES, ESQ.
MOYES STOREY
3003 NORTH CENTRAL AVENUE, SUITE 1250
PHOENIX, AZ 85001-2199

JACKIE A. MECK, MANAGER
BUCKEYE WATER CONSERVATION &
DRAINAGE DISTRICT
P.O. BOX 1726
BUCKEYE, AZ 85326-0160

ARIZONA ELECTRIC POWER COOP.
P.O. BOX 670
BENSON, AZ 85602

CAJUN ELECTRIC POWER COOP.
112 TELLY STREET
NEW ROADS, LA 70760

H.C. DOUGLAS, PRESIDENT
ELECTRICAL DISTRICT NO. 6
P.O. BOX 167
QUEEN CREEK, AZ 85242

BRITISH COLUMBIA POWER EXCHANGE
666 BURREARD STREET, SUITE 1440
VANCOUVER, B.C. V6C 2X8
CANADA

CALIFORNIA INDEPENDENT SYSTEM OPERATOR
151 BLUE RAVEEN ROAD
FOLSOM, CA 95630

R.D. JUSTICE, MANAGER
ELECTRICAL DISTRICT NO. 7
14629 W. PEORIA AVE
WADDELL, AZ 85355

CALIFORNIA POWER EXCHANGE
1000 SOUTH FREEMONT AVE
BLDG A9W - 5TH FLOOR
ALHAMBRA, CA 91803

CENTRAL LOUISIANA ELECTRIC COMPANY
P.O. BOX 5000
PINEVILLE, LA 71361-5000

JAMES D. DOWNING, P.E.
ELECTRICAL DISTRICT NO. 8
MCMULLEN VALLEY WATER CONSERVATION
& DRAINAGE DISTRICT
P.O. BOX 99
SALOME, AZ 85348

RESAL CRAVEN
CITIZENS UTILITIES COMPANY
2901 NORTH CENTRAL AVENUE, SUITE 1660
PHOENIX, AZ 85012

CINERGY SERVICES, INC.
139 EAST 4 STREET, E.F. 401
CINCINNATI, OH 45201

STEPHEN P. PAVICH, PRESIDENT
HARQUAHALA VALLEY POWER DISTRICT
402 S. HARQUAHALA VALLEY RD
TONOPAH, AZ 85354

TUCSON ELECTRIC POWER CO.
P.O. BOX 711
TUCSON, AZ 85702

CITIZENS LEHMAN POWER SALES
160 FEDERAL STREET
BOSTON, MA 02110

JAMES R. SWEENEY, GEN. MGR.
MARICOPA COUNTY MUNICIPAL WATER
CONSERVATION DISTRICT NO. 1
P.O. BOX 900
WADDELL, AZ 85355-0900

CITY OF AZUSA
P.O. BOX 9500
AZUSA, CA 91702

CITY OF WICKENBURG
MR. TOM CANDELARIA
155 N. TEGNER STREET
WICKENBURG, AZ 58390-1456

STANLEY H. ASHBY, SECRETARY
ROOSEVELT IRRIGATION DISTRICT
103 W. BASELINE ROAD
BUCKEYE, AZ 85326

SERVICE LIST

CITY OF BURBANK
P.O. BOX 631
BURBANK, CA 91503-0631

CITY OF GLENDALE
729 N. AVENUE, 4TH LEVEL
GLENDALE, CA 91206-4496

CITY OF IDAHO FALLS
140 S. CAPITAL AVENUE
IDAHO FALLS, ID 86402

CITY OF NEEDLES
ENOVA ENERGY MANAGEMENT, INC.
12555 HIGH BLUFF DR, SUITE 155
SAN DIEGO, CA 92130

COASTAL ELECTRIC SERVICES COMPANY
COASTAL TOWER
NINE GREENWAY PLAZA
HOUSTON, TX 77046-0995

COLORADO RIVER AGENCY
ROUTE 1, BOX 9-C
PARKER, AZ 85344

COLORADO RIVER COMMISSION OF NEVADA
555 EAST WASHINGTON AVENUE
SUITE 3100
LAS VEGAS, NV 89101

CON AGRA ENERGY SERVICES, INC.
9 CON AGRA DRIVE
OHAMA, NE 68102-5009

COOK INLET ENERGY SUPPLY
10100 SANTA MONICA BLVD, 25TH FLOOR
LOS ANGELES, CA 90024

CORAL POWER, LLC
909 FANNIN, SUITE 700
HOUSTON, TX 77010

US DEPARTMENT OF THE INTERIOR
1849 C STREET, N.W.
WASHINGTON, D.C. 20240

E PRIME
1331 17TH STREET, SUITE 601
DENVER, CO 80202

EASTERN POWER DISTRIBUTION, INC.
2800 EISENHOWER AVE
ALEXANDRIA, VA 22314

EDISON SOURCE
13191 CROSSROADS PKWY N, SUITE 405
CITY OF INDUSTRY, CA 91746

ELECTRIC CLEARINGHOUSE, INC.
DBA DYNERGY
2999 NORTH 44 ST., SUITE 300
PHOENIX, AZ 85012

ENERGY MASTERS INTERNATIONAL
1385 MENDOTA HEIGHTS ROAD
ST. PAUL, MN 55120-1129

ENGELHARD POWER MARKETING, INC.
101 WOOD AVENUE
ISELIN, NJ 08830-0770

ENERGY POWER MARKETING CORP.
PARKWOOD TWO BUILDING
10055 GROGAN'S MILL RD, SUITE 500
THE WOODLANDS, TX 77380

FEDERAL ENERGY SALES, INC.
3222 N. RIDGE ROAD
ELYRIA, OH 44035

GULFSTREAM ENERGY, LLC
2930 REVERE ST., STE 202
HOUSTON TX 77098

IDAHO POWER COMPANY
P.O. BOX 70
BOISE, ID 83707

INDUSTRIAL ENERGY APPLICATIONS, INC.
5925 DRY CREEK LANE, NE
CEDAR RAPIDS, IA 52402

INTERCOASTAL ENERGY APPS., INC.
P.O. BOX 657
DES MOINES IA 50303-0657

KOCH ENERGY TRADING, INC.
P.O. BOX 2626
HOUSTON, TX 77252-2626

LA DEPT. OF WATER & POWER
P.O. BOX 111
LOS ANGELES, CA 90012-2694

LG&E ENERGY MARKETING, INC.
220 W. MAIN STREET, 7TH FLOOR
LOUISVILLE, KY 40202

MERCHANT ENERGY GROUP OF THE AMERICAS
151 WEST STREET, SUITE 300
ANNAPOLIS, MD 21401

MORGAN STANLEY CAP. GROUP, INC
1585 BROADWAY
NEW YORK, NY 10036

MONTANA POWER COMPANY
40 E. BROADWAY
BUTTE, ME 59701-9394

NATIONAL GAS & ELECTRIC
3555 TIMMONS, SUITE 1500
HOUSTON, TX 77027

SERVICE LIST

NEVADA POWER COMPANY
P.O. BOX 230
LAS VEGAS, NV 89151-0230

NORTHERN WASCO COUNTY PUD
2345 RIVER ROAD
DALLES, OR 97058

NP ENERGY INC.
3650 NATIONAL CITY TOWER
LOUISVILLE, KY 40202

PACIFICORP
825 NE MULTNOMAH
PORTLAND, OR 97232

PG&E ENERGY SERVICES
VALERO POWER SERVICES CO.
353 SACRAMENTO STREET, SUITE 1900
SAN FRANCISCO, CA 94111

POWER COMPANY OF AMERICA
2 GREENWICH PLAZA, 2ND FLOOR
GREENWICH, CT 06830

POWER EXCHANGE CORP.
450 SANSOME ST., SUITE 1400
SAN FRANCISCO, CA 94111

PUBLIC SERVICE COMPANY OF NEW MEXICO
ALVARADO SQUARE
ALBUQUERQUE, NM 87158

RAINBOW ENERGY MARKETING CORP.
909 SOUTH 7TH STREET, SUITE 405
BISMARCK, SD 58504

ROCKY MOUNTAIN GENERATION COOP.
5441 BOEING DR., SUITE 200
LOVELAND, CO 80538-8810

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT & POWER DISTRICT
P.O. BOX 52025
PHOENIX, AZ

SAN CARLOS IRRIGATION PROJECT
P.O. BOX 250
COOLIDGE, AZ 85228

SAN DIEGO GAS & ELECTRIC
P.O. BOX 1831
SAN DIEGO, CA 92112-4120

SNOHOMISH COUNTY PUD #1
P.O. BOX 1107
EVERETT, WA 8206-1107

SONAT POWER MARKETING
1900 FIFTH AVENUE
BIRMINGHAM, AL 35203

SOUTHERN CALIFORNIA EDISON
2244 WALNUT GROVE AVENUE
ROSEMEAD, CA 91770

EL PASO ELECTRIC COMPANY
P.O. BOX 982
EL PASO, TX 79960

THE ENERGY AUTHORITY, INC.
76 S. LAURA STREET, STE 1500
JACKSONVILLE, FL 32202

TOHONO O'ODHAM UTILITY AUTHORITY
P.O. BOX 816
SELLS, AZ 85635

NEW MEXICO PUBLIC SERVICE COMMISSION
224 EAST PALACE
SANTA FE, NM 87503

UTAH MUNICIPAL POWER AGENCY
8722 SOUTH 300 WEST
SANDY, UT 84070

UTILITY 2000 ENERGY
140 FOURTH AVENUE, S.W.
SUITE 1710
CALGARY, ALBERTA T2P 3N3
CANADA

VALLEY ELECTRIC ASSOCIATION
P.O. BOX 237
PAHRUMP, NV 89041

WASHINGTON WATER POWER
P.O. BOX 3727
SPOKANE, SA 99220-3727

WESTERN POWER SERVICES, INC.
12200 NORTH PECOS STREET
DENVER, CO 80234-3439

WESTERN RESOURCES, INC.
P.O. BOX 889
TOPEKA, KS 66601

WILLIAMS ENERGY SERVICES COMPANY
P.O. BOX 2848
TULSA, OK 74101-9567

AQUILA ENERGY MARKETING CORP.
P.O. BOX 13207
KANSAS CITY, MO 64199-3207

TRACTABEL ENERGY MARKETING, INC.
1177 WEST LOOP, SUITE 800
HOUSTON, TX 77027

VERIFICATION

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Arizona Public Service Company)
Pinnacle West Capital Corporation)
Pinnacle West Energy Company)

Docket No. EC00-____-000
Docket No. ER00-____-000

VERIFICATION

JACK E. DAVIS

STATE OF ARIZONA)
) ss.
County of Maricopa)

Jack E. Davis, being first duly sworn upon oath, deposes and says:

That he is Chief Corporation Officer and Executive Vice President of Pinnacle West Capital Corporation, and makes this verification for and on behalf of said corporations, being thereto duly authorized; that he has read the foregoing Application and knows the contents thereof, and that the same is true to the best of his knowledge, information and belief.

Jack Davis

SUBSCRIBED AND SWORN to before me this 27th day of July, 2000.

Joel R. Spitzkoff
Notary Public

My Commission expires:

June 22, 2003
[SEAL]

APPENDIX A

PRE-RESTRUCTURING

ORGANIZATIONAL CHART

APPENDIX A
PNW CORPORATE STRUCTURE
(PRIOR TO PROPOSED RESTRUCTURING)

Pursuant to Regulation S-T, Rule 304, Appendix A is a diagram of holding company structure titled "PNW Corporate Structure (Prior to Proposed Restructuring)," which shows Pinnacle West Capital Corporation as the parent corporation, with a Shared Services division. The following wholly-owned subsidiaries of PNW are also shown: PWE (Expanded Generation), APSES (Competitive Retail Sales), SunCor Development Company, El Dorado Investment Company, and APS (including Generation Business Unit (Current Generation), Bulk Power Marketing Group (wholesale merchant), and Energy Delivery and Sales (Transmission , Distribution & Retail Standard Offer Sales)). Two inactive subsidiaries of APS -- Axiom and Bixco -- are also shown.

APPENDIX B
POST-RESTRUCTURING
ORGANIZATIONAL CHART

APPENDIX B
POST - RESTRUCTURING
ORGANIZATIONAL CHART

Pursuant to Regulation S-T, Rule 304, Appendix B is a diagram of holding company structure titled "PNW Corporate Structure (Subsequent to Proposed Restructuring)," which shows Pinnacle West Capital Corporation as the parent corporation, with a Shared Services division and a Bulk Power Marketing division. The following wholly-owned subsidiaries of PNW are also shown: PWE (Generation), APSES (Competitive Retail Sales), SunCor Development Company, El Dorado Investment Company, and APS (Transmission, Distribution and Retail Sales). Two inactive subsidiaries of APS -- Axiom and Bixco -- are also shown.

ATTACHMENT A

LIST OF THE JURISDICTIONAL TRANSMISSION FACILITIES

ATTACHMENT A

**LIST OF THE JURISDICTIONAL
TRANSMISSION FACILITIES
BEING TRANSFERRED
FROM APS TO PWE**

APS is requesting permission to transfer associated transmission equipment composed of step-up transformers, breakers, disconnect switches, potential and current transformers, metering and tie lines located at the following generating sites that APS is also transferring to its affiliate PWE:

PALO VERDE NUCLEAR GENERATING PLANT
(APS operates the plant and owns 29.1% of all three Units.)

FOUR CORNERS POWER PLANT

(APS operates the plant and owns 100% of Unit 1, 2, and 3. APS owns 15% of Unit 4 and 5.)

CHOLLA POWER PLANT

(APS operates the plant but owns only Units 1, 2, and 3. Unit 4 is owned by PacifiCorp.)

WEST PHOENIX POWER PLANT (APS operates the plant and owns all units.)

YUCCA POWER PLANT

(APS operates the plant but only owns Units 1, 2, 3, and 4. Unit 5 is owned by Imperial Irrigation District.)

OCOTILLO POWER PLANT
(APS operates the plant and owns all units.)

SAGUARO POWER PLANT
(APS operates the plant and owns all units.)

NAVAJO POWER PLANT
(APS owns 14% of all three units, but does not operate the plant)

FAIRVIEW/DOUGLAS
(APS operates the plant and owns the one unit.)

ATTACHMENT B

**LIST OF WHOLESALE CONTRACTS AND SERVICE AGREEMENTS
BEING TRANSFERRED FROM APS TO PWCC AND PWE**

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
1 FPC Rate Schedule No. 5	Axis Station Agreement	Southern California Edison	Pinnacle West Energy
2 FPC Rate Schedule No. 46	United States Department of Interior Kaiparowits Power Coordination Contract	Southern California Edison, San Diego Gas & Electric, United States of America	Pinnacle West Capital Corporation
3 FERC Rate Schedule No.106	Operating Letter for Banking of Arizona Power Authority Energy	Electrical District No. 3	Pinnacle West Capital Corporation
4 FERC Rate Schedule No. 117	Operating Letter for Banking of Arizona Power Authority Energy	Electrical District No. 1	Pinnacle West Capital Corporation
5 FERC Rate Schedule No. 120	Wholesale Power Agreement	Southern California Edison	Pinnacle West Capital Corporation
6 FERC Rate Schedule No. 182	Long Term Power Transaction Agreement	PacifiCorp	Pinnacle West Capital Corporation
7 FERC Rate Schedule No. 211	Four Corners Co-tenancy Agreement and Four Corners Operating Agreement	Southern California Edison, Public Service Company of New Mexico, El Paso Electric, Salt River Project Agricultural Improvement & Power District, Tucson Electric Power Company	Pinnacle West Energy
8 FERC Rate Schedule No. 215	Transmission Service Agreement	Southern California Edison/Colorado River Irrigation Project (Bureau of Indian Affairs)	Pinnacle West Capital Corporation
9 FERC Rate Schedule No. 225	Power Service Agreement	Citizens Utilities Company	Pinnacle West Capital Corporation
10 FERC Rate Schedule No. 229	Navajo Project Co-tenancy Agreement	United States of America, Dept. of Water & Power of Los Angeles, Nevada Power Company, Salt River Project Agricultural Improvement & Power District, Tucson Electric Power Company	Pinnacle West Energy
11 FERC Rate Schedule No. 231	Electric Power Service Agreement	Colorado River Commission of Nevada	Pinnacle West Capital Corporation
12 FERC Rate Schedule No.237	Service Agreement Under FERC Electric Tariff, Original Volume No. 9 of Washington Water Power	Washington Water Power	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
13 FERC Rate Schedule No. 238	Service Agreement Under FERC Electric Tariff, Original Volume No. 12 of PacifiCorp	PacifiCorp	Pinnacle West Capital Corporation
14 FERC Rate Schedule No. 239	Mutual Netting/Settlement Agreement	PacifiCorp	Pinnacle West Capital Corporation
15 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 1	Market Based Rate Tariff Service Agreements	Rainbow Energy Marketing Corp	Pinnacle West Capital Corporation
16 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 2	Market Based Rate Tariff Service Agreements	NP Energy Inc.	Pinnacle West Capital Corporation
17 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 3	Market Based Rate Tariff Service Agreements	Valley Electric Association	Pinnacle West Capital Corporation
18 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 4	Market Based Rate Tariff Service Agreements	Cinergy Services, Inc.	Pinnacle West Capital Corporation
19 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 5	Market Based Rate Tariff Service Agreements	LG&E Energy Marketing Inc.	Pinnacle West Capital Corporation
20 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 6	Market Based Rate Tariff Service Agreements	Rocky Mountain Generation Coop.	Pinnacle West Capital Corporation
21 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 7	Market Based Rate Tariff Service Agreements	Entergy Power Marketing Corp.	Pinnacle West Capital Corporation
22 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 8	Market Based Rate Tariff Service Agreements	E Prime	Pinnacle West Capital Corporation
23 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 9	Market Based Rate Tariff Service Agreements	Power Company of America	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
24 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 10	Market Based Rate Tariff Service Agreements	Idaho Power Company	Pinnacle West Capital Corporation
25 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 11	Market Based Rate Tariff Service Agreements	Sonat Power Marketing	Pinnacle West Capital Corporation
26 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 12	Market Based Rate Tariff Service Agreements	American Hunter Energy Inc.	Pinnacle West Capital Corporation
27 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 13	Market Based Rate Tariff Service Agreements	Western Power Services, Inc.	Pinnacle West Capital Corporation
28 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 14	Market Based Rate Tariff Service Agreements	National Gas & Electric	Pinnacle West Capital Corporation
29 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 15	Market Based Rate Tariff Service Agreements	Cajun Electric Power Coop.	Pinnacle West Capital Corporation
30 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 17	Market Based Rate Tariff Service Agreements	British Columbia Power Exchange	Pinnacle West Capital Corporation
31 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 18	Market Based Rate Tariff Service Agreements	Cook Inlet Energy Supply	Pinnacle West Capital Corporation
32 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 19	Market Based Rate Tariff Service Agreements	Snohomish County PUD #1	Pinnacle West Capital Corporation
33 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 20	Market Based Rate Tariff Service Agreements	PG&E/ Valero Power Services Inc	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
34 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 21	Market Based Rate Tariff Service Agreements	Western Resources, Inc.	Pinnacle West Capital Corporation
35 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 22	Market Based Rate Tariff Service Agreements	MP Energy	Pinnacle West Capital Corporation
36 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 23	Market Based Rate Tariff Service Agreements	Tucson Electric Power	Pinnacle West Capital Corporation
37 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 24	Market Based Rate Tariff Service Agreements	Coral Power LLC	Pinnacle West Capital Corporation
38 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 25	Market Based Rate Tariff Service Agreements	City of Burbank	Pinnacle West Capital Corporation
39 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 26	Market Based Rate Tariff Service Agreements	Morgan Stanley Capital Group Inc	Pinnacle West Capital Corporation
40 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 27	Market Based Rate Tariff Service Agreements	Tractabel Energy Marketing, Inc.	Pinnacle West Capital Corporation
41 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 28	Market Based Rate Tariff Service Agreements	Koch Energy Trading Inc.	Pinnacle West Capital Corporation
42 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 29	Market Based Rate Tariff Service Agreements	PG&E Energy Services	Pinnacle West Capital Corporation
43 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 30	Market Based Rate Tariff Service Agreements	Williams Energy Services	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
44 ----- FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 31	Market Based Rate Tariff Service Agreements	Central Louisiana Electric Company	Pinnacle West Capital Corporation
45 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 32	Market Based Rate Tariff Service Agreements	LA Dept of Water & Power	Pinnacle West Capital Corporation
46 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 33	Market Based Rate Tariff Service Agreements	Nevada Power Company	Pinnacle West Capital Corporation
47 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 34	Market Based Rate Tariff Service Agreements	San Diego Gas & Electric	Pinnacle West Capital Corporation
48 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 35	Market Based Rate Tariff Service Agreements	Arizona Electric Power Coop.	Pinnacle West Capital Corporation
49 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 36	Market Based Rate Tariff Service Agreements	Salt River Project	Pinnacle West Capital Corporation
50 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 37	Market Based Rate Tariff Service Agreements	Southern California Edison	Pinnacle West Capital Corporation
51 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 38	Market Based Rate Tariff Service Agreements	Majority Districts (ED6, ED7, ED8, MWD, Harquahala, McMullen, RID, AID, BID & TID)	Pinnacle West Capital Corporation
52 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 39	Market Based Rate Tariff Service Agreements	American Electric Power	Pinnacle West Capital Corporation
53 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 40	Market Based Rate Tariff Service Agreements	ConAgra Energy Services, Inc.	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
54 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 41	Market Based Rate Tariff Service Agreements	Eastern Power Distribution Inc	Pinnacle West Capital Corporation
55 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 42	Market Based Rate Tariff Service Agreements	Morgan Stanley Capital Group Inc	Pinnacle West Capital Corporation
56 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 43	Market Based Rate Tariff Service Agreements	Tohono O'Odham Utility Authority	Pinnacle West Capital Corporation
57 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 44	Market Based Rate Tariff Service Agreements	Town of Wickenburg	Pinnacle West Capital Corporation
58 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 46	Market Based Rate Tariff Service Agreements	California ISO	Pinnacle West Capital Corporation
59 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 47	Market Based Rate Tariff Service Agreements	California Power Exchange	Pinnacle West Capital Corporation
60 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 48	Market Based Rate Tariff Service Agreements	Electrical District No. 1	Pinnacle West Capital Corporation
61 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 49	Market Based Rate Tariff Service Agreements	Electrical District No. 3	Pinnacle West Capital Corporation
62 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 50	Market Based Rate Tariff Service Agreements	Public Service Company of New Mexico	Pinnacle West Capital Corporation
63 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 51	Market Based Rate Tariff Service Agreements	Merchant Energy Group of the Americas	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
64 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 52	Market Based Rate Tariff Service Agreements	Northern Wasco County PUD	Pinnacle West Capital Corporation
65 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 53	Market Based Rate Tariff Service Agreements	San Carlos Irrigation Project	Pinnacle West Capital Corporation
66 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 54	Market Based Rate Tariff Service Agreements	City of Idaho Falls	Pinnacle West Capital Corporation
67 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 55	Market Based Rate Tariff Service Agreements	San Carlos Irrigation Project	Pinnacle West Capital Corporation
68 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 56	Market Based Rate Tariff Service Agreements	Utah Municipal Power Agency	Pinnacle West Capital Corporation
69 FERC Electric Tariff, Second Revised Volume 3, Service Agreement No. 57	Market Based Rate Tariff Service Agreements	The Energy Authority, Inc.	Pinnacle West Capital Corporation
70 FERC Electric Tariff, Volume 1	Electric Coordination Tariff		Pinnacle West Capital Corporation
71 FERC Electric Tariff, Volume 1, Service Agreement No. 1	Electric Coordination Tariff Service Agreement	Snohomish Public Utility District	Pinnacle West Capital Corporation
72 FERC Electric Tariff, Volume 1, Service Agreement No. 2	Electric Coordination Tariff Service Agreement	Electric Clearinghouse Inc.	Pinnacle West Capital Corporation
73 FERC Electric Tariff, Volume 1, Service Agreement No. 3	Electric Coordination Tariff Service Agreement	Gulfstream Energy, LLC	Pinnacle West Capital Corporation
74 FERC Electric Tariff, Volume 1, Service Agreement No. 4	Electric Coordination Tariff Service Agreement	Citizens Utility Company	Pinnacle West Capital Corporation
75 FERC Electric Tariff, Volume 1, Service Agreement No. 5	Electric Coordination Tariff Service Agreement	LG&E Power Marketing, Inc.	Pinnacle West Capital Corporation
76 FERC Electric Tariff, Volume 1, Service Agreement No. 6	Electric Coordination Tariff Service Agreement	Power Exchange Corp.	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations -----	Agreement/Tariff Title -----	Counter-Party -----	Assigned to: -----
77 FERC Electric Tariff, Volume 1, Service Agreement No. 8	Electric Coordination Tariff Service Agreement	Intercoastal Power Marketing	Pinnacle West Capital Corporation
78 FERC Electric Tariff, Volume 1, Service Agreement No. 9	Electric Coordination Tariff Service Agreement	Rainbow Energy Marketing Corp.	Pinnacle West Capital Corporation
79 FERC Electric Tariff, Volume 1, Service Agreement No. 10	Electric Coordination Tariff Service Agreement	Town of Wickenburg	Pinnacle West Capital Corporation
80 FERC Electric Tariff, Volume 1, Service Agreement No. 11	Electric Coordination Tariff Service Agreement	Engelhard Power Marketing, Inc.	Pinnacle West Capital Corporation
81 FERC Electric Tariff, Volume 1, Service Agreement No. 13	Electric Coordination Tariff Service Agreement	Coastal Electric Services Company	Pinnacle West Capital Corporation
82 FERC Electric Tariff, Volume 1, Service Agreement No. 14	Electric Coordination Tariff Service Agreement	Utility 2000 Energy	Pinnacle West Capital Corporation
83 FERC Electric Tariff, Volume 1, Service Agreement No. 15	Electric Coordination Tariff Service Agreement	City of Needles	Pinnacle West Capital Corporation
84 FERC Electric Tariff, Volume 1, Service Agreement No. 16	Electric Coordination Tariff Service Agreement	Citizens Lehman Power Sales	Pinnacle West Capital Corporation
85 FERC Electric Tariff, Volume 1, Service Agreement No. 17	Electric Coordination Tariff Service Agreement	Energy Masters International	Pinnacle West Capital Corporation
86 FERC Electric Tariff, Volume 1, Service Agreement No. 18	Electric Coordination Tariff Service Agreement	Aquila Energy Marketing Corp.	Pinnacle West Capital Corporation
87 FERC Electric Tariff, Volume 1, Service Agreement No. 19	Electric Coordination Tariff Service Agreement	Industrial Energy Applications, Inc.	Pinnacle West Capital Corporation
88 FERC Electric Tariff, Volume 1, Service Agreement No. 20	Electric Coordination Tariff Service Agreement	Electrical District No. 3	Pinnacle West Capital Corporation
89 FERC Electric Tariff, Volume 1, Service Agreement No. 21	Electric Coordination Tariff Service Agreement	Western Power Services, Inc.	Pinnacle West Capital Corporation
90 FERC Electric Tariff, Volume 1, Service Agreement No. 22	Electric Coordination Tariff Service Agreement	Federal Energy Sales, Inc.	Pinnacle West Capital Corporation
91 FERC Electric Tariff, Volume 1, Service Agreement No. 23	Electric Coordination Tariff Service Agreement	Cinergy Services, Inc.	Pinnacle West Capital Corporation
92 FERC Electric Tariff, Volume 1, Service Agreement No. 24	Electric Coordination Tariff Service Agreement	Ajo Improvement Company	Pinnacle West Capital Corporation

Existing APS Agreements, Tariffs and Service Agreements to be Transferred to Other APS Affiliates

Rate Schedule Designations	Agreement/Tariff Title	Counter-Party	Assigned to:
93 FERC Electric Tariff, Volume 1, Service Agreement No. 25	Electric Coordination Tariff Service Agreement	City of Glendale	Pinnacle West Capital Corporation
94 FERC Electric Tariff, Volume 1, Service Agreement No. 26	Electric Coordination Tariff Service Agreement	City of Azusa	Pinnacle West Capital Corporation
95 FERC Electric Tariff, Volume 1, Service Agreement No. 27	Electric Coordination Tariff Service Agreement	Tohono O'Odham Utility Authority	Pinnacle West Capital Corporation
96 FERC Electric Tariff, Volume 1, Service Agreement No. 28	Electric Coordination Tariff Service Agreement	Koch Energy Trading, Inc.	Pinnacle West Capital Corporation
97 FERC Electric Tariff, Volume 1, Service Agreement No. 29	Electric Coordination Tariff Service Agreement	Edison Source	Pinnacle West Capital Corporation
98 FERC Electric Tariff, Volume 1, Service Agreement No. 30	Electric Coordination Tariff Service Agreement	Williams Energy Services Company	Pinnacle West Capital Corporation
99 FERC Electric Tariff, Volume 1, Service Agreement No. 31	Electric Coordination Tariff Service Agreement	Colorado River Agency	Pinnacle West Capital Corporation

ATTACHMENT C

**STATEMENT OF THE COST OF FACILITIES INVOLVED IN
THE TRANSFER OF ASSETS BETWEEN APS AND PWE**

ATTACHMENT C

**ARIZONA PUBLIC SERVICE COMPANY
TRANSMISSION EQUIPMENT
BY POWER PLANT AND RELATED SUBSTATION EQUIPMENT
ORIGINAL COSTS AND ACCUMULATED DEPRECIATION
AS OF MAY 31-2000**

POWER PLANTS

	ORIGINAL COSTS	ACCUM DEPR	NET BOOK VALUE
	-----	-----	-----
FAIRVIEW/DOUGLAS	\$ 186,986	\$ 149,683	\$ 37,303
OCOTILLO POWER PLANT	\$ 2,164,238	\$ 1,405,630	\$ 758,608
SAGUARO POWER PLANT	\$ 1,649,298	\$ 1,397,934	\$ 251,364
YUCCA POWER PLANT	\$ 652,184	\$ 537,451	\$ 114,733
CHOLLA STEAM PLANT	\$13,197,993	\$ 7,326,215	\$ 5,871,778
PALO VERDE NUCLEAR PLANT	\$21,126,640	\$ 6,436,097	\$14,690,543
NAVAJO STEAM PLANT	\$ 2,009,351	\$ 1,203,950	\$ 805,401
WEST PHOENIX PLANT	\$ 2,409,236	\$ 1,729,150	\$ 680,086
FOUR CORNERS STEAM PLANT	\$ 3,835,334	\$ 2,530,934	\$ 1,304,400
	-----	-----	-----
TOTAL POWER PLANT EQUIP IN TRANSMISSION	\$47,231,260	\$22,717,044	\$24,514,216
	=====	=====	=====

ATTACHMENT D

**SETTLEMENT AGREEMENT APPROVED BY THE ARIZONA CORPORATION COMMISSION AUTHORIZING
APS TO TRANSFER ITS GENERATING FACILITIES TO A SEPARATE AFFILIATE**

SETTLEMENT AGREEMENT

May 14, 1999

This settlement agreement ("Agreement") is entered into as of May 14, 1999, by Arizona Public Service Company ("APS" or the "Company") and the various signatories to this Agreement (collectively, the "Parties") for the purpose of establishing terms and conditions for the introduction of competition in generation and other competitive services that are just, reasonable and in the public interest.

INTRODUCTION

In Decision No. 59943, dated December 26, 1996, the Arizona Corporation Commission ("ACC" or the "Commission") established a "framework" for introduction of competitive electric services throughout the territories of public service corporations in Arizona in the rules adopted in A.A.C. R14-2-1601 ET SEQ. (collectively, "Electric Competition Rules" as they may be amended from time to time). The Electric Competition Rules established by that order contemplated future changes to such rules and the possibility of waivers or amendments for particular companies under appropriate circumstances. Since their initial issuance, the Electric Competition Rules have been amended several times and are currently stayed pursuant to Decision No. 61311, dated January 5, 1999. During this time, APS, Commission Staff and other interested parties have participated in a number of proceedings, workshops, public comment sessions and individual negotiations in order to further refine and develop a restructured utility industry in Arizona that will provide meaningful customer choice in a manner that is just, reasonable and in the public interest.

This Agreement establishes the agreed upon transition for APS to a restructured entity and will provide customers with competitive choices for generation and certain other retail services. The Parties believe this Agreement will produce benefits for all customers through implementing customer choice and providing rate reductions so that the APS service territory may benefit from economic growth. The Parties also believe this Agreement will fairly treat APS and its shareholders by providing a reasonable opportunity to recover prudently incurred investments and costs, including stranded costs and regulatory assets.

Specifically, the Parties believe the Agreement is in the public interest for the following reasons. FIRST, customers will receive substantial rate reductions. SECOND, competition will be promoted through the introduction of retail access faster than would have been possible without this Agreement and by the functional separation of APS' power production and delivery functions. THIRD, economic development and the environment will

benefit through guaranteed rate reductions and the continuation of renewable and energy efficiency programs. FOURTH, universal service coverage will be maintained through APS' low income assistance programs and establishment of "provider of last resort" obligations on APS for customers who do not wish to participate in retail access. FIFTH, APS will be able to recover its regulatory assets and stranded costs as provided for in this Agreement without the necessity of a general rate proceeding. Sixth, substantial litigation and associated costs will be avoided by amicably resolving a number of important and contentious issues that have already been raised in the courts and before the Commission. Absent approval by the Commission of the settlement reflected by this Agreement, APS would seek full stranded cost recovery and pursue other rate and competitive restructuring provisions different than provided for herein. The other Parties would challenge at least portions of APS' requested relief, including the recovery of all stranded costs. The resulting regulatory hearings and related court appeals would delay the start of competition and drain the resources of all Parties.

NOW, THEREFORE, APS and the Parties agree to the following provisions which they believe to be just, reasonable and in the public interest:

TERMS OF AGREEMENT

ARTICLE I IMPLEMENTATION OF RETAIL ACCESS

1.1 The APS distribution system shall be open for retail access on July 1, 1999; provided, however, that such retail access to electric generation and other competitive electric services suppliers will be phased in for customers in APS' service territory in accordance with the proposed Electric Competition Rules, as and when such rules become effective, with an additional 140 MW being made available to eligible non-residential customers. The Parties shall urge the Commission to approve Electric Competition Rules, at least on an emergency basis, so that meaningful retail access can begin by July 1, 1999. Unless subject to judicial or regulatory restraint, APS shall open its distribution system to retail access for all customers on January 1, 2001.

1.2 APS will make retail access available to residential customers pursuant to its December 21, 1998, filing with the Commission.

1.3 The Parties acknowledge that APS' ability to offer retail access is contingent upon numerous conditions and circumstances, a number of which are not within the direct control of the Parties. Accordingly, the Parties agree that it may become necessary to modify the terms of retail access to account for such factors, and they further agree to address such matters in good faith and to cooperate in an effort to propose joint resolutions of any such matters.

1.4. APS agrees to the amendment and modification of its Certificate(s) of Convenience and Necessity to permit retail access consistent with the terms of this Agreement. The Commission order adopting this Agreement shall constitute the necessary Commission Order amending and modifying APS' CC&Ns to permit retail access consistent with the terms of this Agreement.

ARTICLE II RATE MATTERS

2.1. The Company's unbundled rates and charges attached hereto as Exhibit A will be effective as of July 1, 1999. The Company's presently authorized rates and charges shall be deemed its standard offer ("Standard Offer") rates for purposes of this Agreement and the Electric Competition Rules. Bills for Standard Offer service shall indicate individual unbundled service components to the extent required by the Electric Competition Rules.

2.2. Future reductions of standard offer tariff rates of 1.5% for customers having loads of less than 3 MW shall be effective as of July 1, 1999, July 1, 2000, July 1, 2001, July 1, 2002, and July 1, 2003, upon the filing and Commission acceptance of revised tariff sheets reflecting such decreases. For customers having loads greater than 3 MW served on Rate Schedules E-34 and E-35, Standard Offer tariff rates will be reduced: 1.5%, effective July 1, 1999; 1.5% effective July 1, 2000; 1.25% effective July 1, 2001; and .75% effective July 1, 2002. The 1.5% Standard Offer rate reduction to be effective July 1, 1999, includes the rate reduction otherwise required by Decision No. 59601. Such decreases shall become effective by the filing with and acceptance by the Commission of revised tariff sheets reflecting each decrease.

2.3. Customers greater than 3 MW who choose a direct access supplier must give APS one year's advance notice before being eligible to return to Standard Offer service.

2.4. Unbundled rates shall be reduced in the amounts and at the dates set forth in Exhibit A attached hereto upon the filing and Commission acceptance of revised tariff sheets reflecting such decreases.

2.5. This Agreement shall not preclude APS from requesting, or the Commission from approving, changes to specific rate schedules or terms and conditions of service, or the approval of new rates or terms and conditions of service, that do not significantly affect the overall earnings of the Company or materially modify the tariffs or increase the rates approved in this Agreement. Nothing contained in this Agreement shall preclude APS from filing changes to its tariffs or terms and conditions of service which are not inconsistent with its obligations under this Agreement.

2.6. Notwithstanding the rate reduction provisions stated above, the Commission shall, prior to December 31, 2002, approve an adjustment clause or clauses which

will provide full and timely recovery beginning July 1, 2004, of the reasonable and prudent costs of the following:

- (1) APS' "provider of last resort" and Standard Offer obligations for service after July 1, 2004, which costs shall be recovered only from Standard Offer and "provider of last resort" customers;
- (2) Standard Offer service to customers who have left Standard Offer service or a special contract rate for a competitive generation supplier but who desire to return to Standard Offer service, which costs shall be recovered only from Standard Offer and "provider of last resort" customers;
- (3) compliance with the Electric Competition Rules or Commission-ordered programs or directives related to the implementation of the Electric Competition Rules, as they may be amended from time to time, which costs shall be recovered from all customers receiving services from APS; and
- (4) Commission-approved system benefit programs or levels not included in Standard Offer rates as of June 30, 1999, which costs shall be recovered from all customers receiving services from APS.

By June 1, 2002, APS shall file an application for an adjustment clause or clauses, together with a proposed plan of administration, and supporting testimony. The Commission shall thereafter issue a procedural order setting such adjustment clause application for hearing and including reasonable provisions for participation by other parties. The Commission order approving the adjustment clauses shall also establish reasonable procedures pursuant to which the Commission, Commission Staff and interested parties may review the costs to be recovered. By June 30, 2003, APS will file its request for the specific adjustment clause factors which shall, after hearing and Commission approval, become effective July 1, 2004. APS shall be allowed to defer costs covered by this Section 2.6 when incurred for later full recovery pursuant to such adjustment clause or clauses, including a reasonable return.

2.7. By June 30, 2003, APS shall file a general rate case with prefiled testimony and supporting schedules and exhibits; provided, however, that any rate changes resulting therefrom shall not become effective prior to July 1, 2004.

2.8. APS shall not be prevented from seeking 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 the 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 decision, 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.

ARTICLE III REGULATORY ASSETS AND STRANDED COSTS

3.1. APS currently recovers regulatory assets through July 1, 2004, pursuant to Commission Decision No. 59601 in accordance with the provisions of this Agreement.

3.2. APS has demonstrated that its allowable stranded costs after mitigation (which result from the impact of retail access), exclusive of regulatory assets, are at least \$533 million net present value.

3.3. The Parties agree that APS should not be allowed to recover \$183 million net present value of the amounts included above. APS shall have a reasonable opportunity to recover \$350 million net present value through a competitive transition charge ("CTC") set forth in Exhibit A attached hereto. Such CTC shall remain in effect until December 31, 2004, at which time it will terminate. If by that date APS has recovered more or less than \$350 million net present value, as calculated in accordance with Exhibit B attached hereto, then the nominal dollars associated with any excess recovery/under recovery shall be credited/debited against the costs subject to recovery under the adjustment clause set forth in Section 2.6(3).

3.4. The regulatory assets to be recovered under this Agreement, after giving effect to the adjustments set forth in Section 3.3, shall be amortized in accordance with Schedule C of Exhibit A attached hereto.

3.5. Neither the Parties nor the Commission shall take any action that would diminish the recovery of APS' stranded costs or regulatory assets provided for herein. The Company's willingness to enter into this Agreement is based upon the Commission's irrevocable promise to permit recovery of the Company's regulatory assets and stranded costs as provided herein. Such promise by the Commission shall survive the expiration of the Agreement and shall be specifically enforceable against this and any future Commission.

ARTICLE IV CORPORATE STRUCTURE

4.1. The Commission will approve the formation of an affiliate or affiliates of APS to acquire at book value the competitive services assets as currently required by the Electric Competition Rules. In order to facilitate the separation of such assets efficiently and at the lowest possible cost, the Commission shall grant APS a two-year extension of time until

December 31, 2002, to accomplish such separation. A similar two-year extension shall be authorized for compliance with A.A.C. R14-2-1606 (B).

4.2. Approval of this Agreement by the Commission shall be deemed to constitute all requisite Commission approvals for (1) the creation by APS or its parent of new corporate affiliates to provide competitive services including, but not limited to, generation sales and power marketing, and the transfer thereto of APS' generation assets and competitive services, and (2) the full and timely recovery through the adjustment clause referred to in Section 2.6 above for all of the reasonable and prudent costs so incurred in separating competitive generation assets and competitive services as required by proposed

A.A.C. R14-2-1615, exclusive of the costs of transferring the APS power marketing function to an affiliate. The assets and services to be transferred shall include the items set forth on Exhibit C attached hereto. Such transfers may require various regulatory and third party approvals, consents or waivers from entities not subject to APS' control, including the FERC and the NRC. No Party to this Agreement (including the Commission) will oppose, or support opposition to, APS requests to obtain such approvals, consents or waivers.

4.3. Pursuant to A.R.S. ss. 40-202(L), the Commission's approval of this Agreement shall exempt any competitive service provided by APS or its affiliates from the application of various provisions of A.R.S. Title 40, including A.R.S. ss.ss. 40-203, 40-204(A), 40-204(B), 40-248, 40-250, 40-251, 40-285, 40-301, 40-302, 40-303, 40-321, 40-322, 40-331, 40-332, 40-334, 40-365, 40-366, 40-367 and 40-401.

4.4. APS' subsidiaries and affiliates (including APS' parent) may take advantage of competitive business opportunities in both energy and non-energy related businesses by establishing such unregulated affiliates as they deem appropriate, which will be free to operate in such places as they may determine. The APS affiliate or affiliates acquiring APS' generating assets may be a participant in the energy supply market within and outside of Arizona. Approval of this Agreement by the Commission shall be deemed to include the following specific determinations required under Sections 32(c) and (k)(2) of the Public Utility Holding Company Act of 1935:

APS or an affiliate is authorized to establish a subsidiary company, which will seek exempt wholesale generator ("EWG") status from the Federal Energy Regulatory Commission, for the purposes of acquiring and owning Generation Assets.

The Commission has determined that allowing the Generation Assets to become "eligible facilities," within the meaning of Section 32 of the Public Utility Holding Company Act ("PUHCA"), and owned by an APS EWG affiliate (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Arizona law.

The Commission has sufficient regulatory authority, resources and access to the books and records of APS and any relevant associate, affiliate, or subsidiary company to exercise its duties under Section 32(k) of PUHCA.

APS will purchase any electric energy from its EWG affiliate at market based rates. This Commission has determined that (1) the proposed transaction will benefit consumers and does not violate Arizona law; (2) the proposed transaction will not provide APS' EWG affiliate an unfair competitive advantage by virtue of its affiliation with APS; (3) the proposed transaction is in the public interest.

The APS affiliate or affiliates acquiring APS' generating assets will be subject to regulation by the Commission, to the extent otherwise permitted by law, to no greater manner or extent than that manner and extent of Commission regulation imposed upon other owners or operators of generating facilities.

4.5. The Commission's approval of this Agreement will constitute certain waivers to APS and its affiliates (including its parent) of the Commission's existing affiliate interest rules (A.A.C. R14-2-801, ET SEQ.), and the rescission of all or portions of certain prior Commission decisions, all as set forth on Exhibit D attached hereto.

4.6. The Parties reserve their rights under Sections 205 and 206 of the Federal Power Act with respect to the rates of any APS affiliate formed under the provisions of this Article IV.

ARTICLE V WITHDRAWAL OF LITIGATION

5.1. Upon receipt of a final order of the Commission approving this Agreement that is no longer subject to judicial review, APS and the Parties shall withdraw with prejudice all of their various court appeals of the Commission's competition orders.

ARTICLE VI APPROVAL BY THE COMMISSION

6.1. This Agreement shall not become effective until the issuance of a final Commission order approving this Agreement without modification on or before August 1, 1999. In the event that the Commission fails to approve this Agreement without modification according to its terms on or before August 1, 1999, any Party to this Agreement may withdraw from this Agreement and shall thereafter not be bound by its provisions; provided, however, that if APS withdraws from this Agreement, the Agreement shall be null and void and of no further force and effect. In any event, the rate reduction provisions of this Agreement shall not take effect until this Agreement is approved. Parties so withdrawing shall be free to pursue

their respective positions without prejudice. Approval of this Agreement by the Commission shall make the Commission a Party to this Agreement and fully bound by its provisions.

6.2. The Parties agree that they shall make all reasonable and good faith efforts necessary to (1) obtain final approval of this Agreement by the Commission, and (2) ensure full implementation and enforcement of all the terms and conditions set forth in this Agreement. Neither the Parties nor the Commission shall take or propose any action which would be inconsistent with the provisions of this Agreement. All Parties shall actively defend this Agreement in the event of any challenge to its validity or implementation.

ARTICLE VII MISCELLANEOUS MATTERS

7.1. To the extent any provision of this Agreement is inconsistent with any existing or future Commission order, rule or regulation or is inconsistent with the Electric Competition Rules as now existing or as may be amended in the future, the provisions of this Agreement shall control and the approval of this Agreement by the Commission shall be deemed to constitute a Commission-approved variation or exemption to any conflicting provision of the Electric Competition Rules.

7.2. The provisions of this Agreement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Agreement, unless such implementation and enforcement is stayed or enjoined by a court having jurisdiction over the matter. If any portion of the Commission order approving this Agreement or any provision of this Agreement is declared by a court to be invalid or unlawful in any respect, then (1) APS shall have no further obligations or liability under this Agreement, including, but not limited to, any obligation to implement any future rate reductions under Article II not then in effect, and (2) the modifications to APS' certificates of convenience and necessity referred to in Section 1.4 shall be automatically revoked, in which event APS shall use its best efforts to continue to provide noncompetitive services (as defined in the proposed Electric Competition Rules) at then current rates with respect to customer contracts then in effect for competitive generation (for the remainder of their term) to the extent not prohibited by law and subject to applicable regulatory requirements.

7.3. The terms and provisions of this Agreement apply solely to and are binding only in the context of the purposes and results of this Agreement and none of the positions taken herein by any Party may be referred to, cited or relied upon by any other Party in any fashion as precedent or otherwise in any other proceeding before this Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purposes and results of this Agreement.

7.4. This Agreement represents an attempt to compromise and settle disputed claims regarding the prospective just and reasonable rate levels, and the terms and conditions

of competitive retail access, for APS in a manner consistent with the public interest and applicable legal requirements. Nothing contained in this Agreement is an admission by APS that its current rate levels or rate design are unjust or unreasonable.

7.5. As part of this Agreement, APS commits that it will continue the APS Community Action Partnership (which includes weatherization, facility repair and replacement, bill assistance, health and safety programs and energy education) in an annual amount of at least \$500,000 through July 1, 2004. Additionally, the Company will, subject to Commission approval, continue low income rates E-3 and E-4 under their current terms and conditions.

7.6. APS shall actively support the Arizona Independent Scheduling Administrator ("AISA") and the formation of the Desert Star Independent System Operator. APS agrees to modify its OATT to be consistent with any FERC approved AISA protocols. The Parties reserve their rights with respect to any AISA protocols, including the right to challenge or seek modifications to, or waivers from, such protocols. APS shall file changes to its existing OATT consistent with this section within ten (10) days of Commission approval of this Agreement pursuant to Section 6.1.

7.7. Within thirty (30) days of Commission approval of this Agreement pursuant to Section 6.1, APS shall serve on the Parties an Interim Code of Conduct to address inter-affiliate relationships involving APS as a utility distribution company. APS shall voluntarily comply with this Interim Code of Conduct until the Commission approves a code of conduct for APS in accordance with the Electric Competition Rules that is concurrently effective with codes of conduct for all other Affected Utilities (as defined in the Electric Competition Rules). APS shall meet and confer with the Parties prior to serving its Interim Code of Conduct.

7.8. In the event of any disagreement over the interpretation of this Agreement or the implementation of any of the provisions of this Agreement, the Parties shall promptly convene a conference and in good faith shall attempt to resolve such disagreement.

7.9. The obligations under this Agreement that apply for a specific term set forth herein shall expire automatically in accordance with the term specified and shall require no further action for their expiration.

7.10. The Parties agree and recommend that the Commission schedule public meetings and hearings for consideration of this Agreement. The filing of this Agreement with the Commission shall be deemed to be the filing of a formal request for the expeditious issuance of a procedural schedule that establishes such formal hearings and public meetings as may be necessary for the Commission to approve this Agreement in accordance with

Section 6.1 and that afford interested parties adequate opportunity to comment and be heard on the terms of this Agreement consistent with applicable legal requirements.

DATED at Phoenix, Arizona, as of this 14th day of May, 1999.

RESIDENTIAL UTILITY
CONSUMER OFFICE

By Greg Patterson

Title Director

ARIZONA COMMUNITY ACTION
ASSOCIATION

By Janet Regner

Title Executive Director

ARIZONANS FOR ELECTRIC CHOICE AND
COMPETITION,* a coalition of companies
and associations in support of
competition that includes Cable Systems
International, BHP Copper, Motorola,
Chemical Lime, Intel, Honeywell,
Allied Signal, Cyprus Climax Metals,
Asarco, Phelps Dodge, Homebuilders
of Central Arizona, Arizona Mining
Industry Gets Our Support, Arizona
Food Marketing Alliance, Arizona
Association of Industries, Arizona
Multi-housing Association, Arizona Rock
Products Association, Arizona Restaurant
Association, and Arizona Retailers
Association.

By Peter A. Woog

Title Chairman

ARIZONA PUBLIC SERVICE COMPANY

By Jack E. Davis

Title President, Energy

Delivery & Sales

(Party)

By

Title

(Party)

By

Title

(Party)

By

Title

* Enron is not a signatory to this Agreement.

* Also included: Boeing, AZ School Board Association, National Federation of Independent Business (NFIB), AZ Hospital Association, Lockheed Martin, Abbot Labs, Raytheon

(Party) (Party)

By _____
Title _____

(Party)

By _____
Title _____

(Party)

By _____
Title _____

(Party)

By _____
Title _____

By _____
Title _____

(Party)

By _____
Title _____

(Party)

By _____
Title _____

(Party)

By _____
Title _____

**EXHIBIT A
DA-R1
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5350
Tariff or Schedule No. DA-R1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RESIDENTIAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company and where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to electric delivery required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one point of delivery and measured through one meter. For those dwellings and apartments where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating or space heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10.)

TYPE OF SERVICE

Service shall be single phase, 60 Hertz, at one standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's premise). Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is required for motors of an individual rated capacity of 7-1/2 HP or more.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

May - October Billing Cycles (Summer):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$10.00			
All kWh		\$0.04158	\$0.00115	\$0.00930

November - April Billing Cycles (Winter):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$10.00			
All kWh		\$0.03518	\$0.00115	\$0.00930

B. MINIMUM \$ 10.00 per month

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$4.00 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to the Company's Terms and Conditions for Standard Offer and Direct Access Services (Schedule #1) and Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**EXHIBIT A
DA-GS1**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5351
Tariff or Schedule No. DA-GS1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
GENERAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable to all electric service required when such service is supplied at one point of delivery and measured through one meter. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met. For those service locations where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

This rate schedule is not applicable to residential service, resale service or direct access service which qualifies for Rate Schedule DA-GS10.

TYPE OF SERVICE

Service shall be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's premise. Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceed 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in the Company's Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

June - October Billing Cycles (Summer):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$12.50			
Per kW over 5		\$0.721		
Per kWh for the first 2,500 kWh		\$0.04255		
Per kWh for the next 100 kWh per kW over 5		\$0.04255		

Per kWh for the next 42,000 kWh	\$0.02901	
Per kWh for all additional kWh	\$0.01811	
Per all kWh	\$0.00115	
Per all kW		\$2.43

(CONTINUED ON REVERSE SIDE)

A. RATE (continued)

November - May Billing Cycles (Winter):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$12.50			
Per kW over 5		\$0.652		
Per kWh for the first 2,500 kWh		\$0.03827		
Per kWh for the next 100 kWh per kW over 5		\$0.03827		
Per kWh for the next 42,000 kWh		\$0.02600		
Per kWh for all additional kWh		\$0.01614		
Per all kWh			\$0.00115	
Per all kW				\$2.43

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 11.6%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 52.6%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the average kW supplied during the 15-minute period of maximum use during the month, as determined from readings of the delivery meter.

B. MINIMUM

\$12.50 plus \$1.74 for each kW in excess of five of either the highest kW established during the 12 months ending with the current month or the minimum kW specified in the agreement for service, whichever is the greater.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$7.62 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP or under the Company's Open Access Transmission Tariff. The Company will provide and bill its transmission and

ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

(CONTINUED ON PAGE 3)

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

0 - 1,999 kW:	As provided in Company's standard agreement for service.
2,000 kW and above:	Three (3) years, or longer, at Company's option for initial period when construction is required. One (1) year, or longer, at Company's option when construction is not required.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These Schedules have provisions that may affect customer's monthly bill.

**EXHIBIT A
DA-GS10**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5352
Tariff or Schedule No. DA-GS10
Original Tariff
Effective: October 1, 1999

**DIRECT ACCESS
EXTRA LARGE GENERAL SERVICE**

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to customers whose monthly maximum demand is 3,000 kW or more for three (3) consecutive months in any continuous twelve (12) month period ending with the current month. Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by individual customer contract. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met.

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at Company's standard voltages that are available within the vicinity of customer's premise.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$3.53		\$2.82
per kWh		\$0.00999	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 4.8%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 36.7%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's)

for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

(CONTINUED ON REVERSE SIDE)

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

For service locations in:

- a) Isolated Areas: Ten (10) years, or longer, at Company's option, with standard seven (7) year termination period.
- b) Other Areas: Three (3) years, or longer, at Company's option.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**EXHIBIT A
DA-GS11
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5395
Tariff or Schedule No. DA-GS11
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RALSTON PURINA

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Ralston Purina (Site #863970289) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$2.58		\$1.86
per kWh		\$0.00732	\$0.00115	

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

(CONTINUED ON REVERSE SIDE)

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**EXHIBIT A
DA-GS12
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5396
Tariff or Schedule No. DA-GS12
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
BHP COPPER

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to BHP Copper (Site #774932285) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution at Primary Voltage -----	Distribution at Transmission Voltage -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00				
per kW		\$2.35	\$1.22		\$1.54
per kWh		\$0.00665	\$0.00346	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**EXHIBIT A
DA-GS13
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5397
Tariff or Schedule No. DA-GS13
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
CYPRUS BAGDAD

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Cyprus Bagdad (Site #120932284) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 115 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$1.05		\$1.34
per kWh		\$0.00298	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual

customer's contract) of maximum use during the month, as determined from readings of the delivery meter.

2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month, until June 30, 2004 when this minimum will no longer be applicable.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

ARIZONA PUBLIC SERVICE COMPANY
 Competitive Transition Charges
 By Direct Access Rate Classes

Exhibit A
 5/13/99
 Schedule A

		Competition Transition Charges Effective January 1 of					
Line #	Direct Access Rate Class	1999	2000	2001	2002	2003	2004
1	Residential, DA-R1 (per kWh)	\$0.0093	\$0.0084	\$0.0063	\$0.0056	\$0.0050	\$0.0036
2	Under 3 mW, DA-GS1, (per kW/mo.)	\$ 2.43	\$ 2.20	\$ 1.66	\$ 1.46	\$ 1.30	\$ 0.94
3	3 mW and Above, DA-GS10 (per kW/mo.)	\$ 2.82	\$ 2.55	\$ 1.89	\$ 1.72	\$ 1.51	\$ 1.09
4	BHP Copper (per kW/mo.)	\$ 1.54	\$ 1.53	\$ 1.06	\$ 0.95	\$ 0.83	\$ 0.61
5	Cyprus Copper (per kW/mo.)	\$ 1.34	\$ 1.46	\$ 1.05	\$ 0.94	\$ 0.82	\$ 0.61
6	Ralston Purina (per kW/mo.)	\$ 1.86	\$ 1.98	\$ 1.50	\$ 1.34	\$ 1.18	\$ 0.87
7	Average Retail (per kWh)	\$0.0067	\$0.0061	\$0.0054	\$0.0048	\$0.0043	\$0.0031

Charges are based upon recovery of \$350 million NPV derived from APS' Compliance Filing of 8/21/98 as adjusted to synchronize Direct Access and Standard Offer revenue decreases.

ARIZONA PUBLIC SERVICE COMPANY
 Distribution Charges
 By Direct Access Rate Classes

Exhibit A
 5/13/99
 Schedule B

Distribution Charges Effective January 1 of

Line #	Direct Access Rate Class	1999	2000	2001	2002	2003	2004(a)
RESIDENTIAL, DA-R1							
1	Summer per kWh	\$0.04158	\$0.04041	\$0.03934	\$0.03837	\$0.03748	\$0.03689
2	Winter per kWh	\$0.03518	\$0.03419	\$0.03329	\$0.03247	\$0.03172	\$0.03122
DA-GS1 (UNDER 3 MW)							
Summer Rates							
3	per kW for all kW over 5	\$0.721	\$0.691	\$ 0.663	\$ 0.638	\$ 0.615	\$ 0.600
4	per kWh for the first 2,500 kWh	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
5	per kWh for the next 100 kWh per kW over 5	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
6	per kWh for the next 42,000 kWh	\$0.02901	\$0.02779	\$0.02667	\$0.02565	\$0.02473	\$0.02411
7	per kWh for all additional kWh	\$0.01811	\$0.01735	\$0.01665	\$0.01602	\$0.01544	\$0.01506
Winter Rates							
8	per kW for all kW over 5	\$0.652	\$ 0.624	\$ 0.599	\$ 0.576	\$ 0.555	\$ 0.541
9	per kWh for the first 2,500 kWh	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
10	per kWh for the next 100 kWh per kW over 5	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
11	per kWh for the next 42,000 kWh	\$0.02600	\$0.02490	\$0.02390	\$0.02299	\$0.02216	\$0.02161
12	per kWh for all additional kWh	\$0.01614	\$0.01546	\$0.01484	\$0.01427	\$0.01376	\$0.01342
Voltage Discounts							
13	Primary Voltage	11.6%	12.1%	12.6%	13.1%	13.6%	13.9%
14	Transmission Voltage	52.6%	54.9%	57.2%	59.5%	61.7%	63.3%
DA-GS10 (3 MW AND ABOVE)							
15	per kW	\$ 3.53	\$ 3.33	\$ 3.15	\$ 2.98	\$ 2.83	\$ 2.73
16	per kWh	\$0.00999	\$0.00943	\$0.00892	\$0.00845	\$0.00802	\$0.00774
Voltage Discounts							
17	Primary Voltage Discount	4.8%	5.1%	5.3%	5.6%	5.9%	6.2%
18	Transmission Voltage Discount	36.7%	38.9%	41.1%	43.4%	45.8%	47.4%
DA-GS11 (RALSTON PURINA)							
19	per kW	\$ 2.58	\$ 2.71	\$ 2.57	\$ 2.44	\$ 2.32	\$ 2.25
20	per kWh	\$0.00732	\$0.00767	\$0.00727	\$0.00691	\$0.00657	\$0.00635
DA-GS12 (BHP COPPER)							
21	Primary Voltage Delivery per kW	\$ 2.35	\$ 2.30	\$ 2.16	\$ 2.07	\$ 1.99	\$ 1.93
22	per kWh	\$0.00665	\$0.00651	\$0.00611	\$0.00585	\$0.00561	\$0.00546
23	Transmission Voltage Delivery per kW	\$ 1.22	\$ 1.17	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
24	per kWh	\$0.00346	\$0.00332	\$0.00292	\$0.00266	\$0.00242	\$0.00227
DA-GS13 (CYPRUS BAGDAD)							
25	per kW	\$ 1.05	\$ 1.21	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
26	per kWh	\$0.00297	\$0.00343	\$0.00292	\$0.00266	\$0.00242	\$0.00227

(a) Transmission voltage customers will not pay Distribution Charges after June 30, 2004

ARIZONA PUBLIC SERVICE COMPANY
Regulatory Asset Amortization Schedule
(Millions of Dollars)

1999	2000	2001	2002	2003	1/1 - 6/30 2004(1)	Total(2)
----	----	----	----	----	-----	-----
164	158	145	115	86	18	686

(1) Amortization ends 6/30/2004

(2) Includes the disallowance from Section 3.3

1999	Residential	20	.93
	General Service less than 3MW	20	2.43
	General Service greater than 3MW	20	2.82
	BHP Copper	20	1.54
	Cyprus Copper	20	1.34
	Ralston Purina	20	1.86
2000	Residential	20	.84
	General Service less than 3MW	20	2.20
	General Service greater than 3MW	20	2.55
	BHP Copper	20	1.53
	Cyprus Copper	20	1.46
	Ralston Purina	20	1.98
2001	Residential	100	.63
	General Service less than 3MW	100	1.66
	General Service greater than 3MW	100	1.89
	BHP Copper	100	1.06
	Cyprus Copper	100	1.05
	Ralston Purina	100	1.50
2002	Residential	100	.56
	General Service less than 3MW	100	1.46
	General Service greater than 3MW	100	1.72
	BHP Copper	100	.95
	Cyprus Copper	100	.94
	Ralston Purina	100	1.34
2003	Residential	100	.50
	General Service less than 3MW	100	1.30
	General Service greater than 3MW	100	1.51
	BHP Copper	100	.83
	Cyprus Copper	100	.82
	Ralston Purina	100	1.18
2004	Residential	100	.36
	General Service less than 3MW	100	.94
	General Service greater than 3MW	100	1.09
	BHP Copper	100	.61
	Cyprus Copper	100	.61
	Ralston Purina	100	.87

1 This formula assumes no change in APS' distribution service territory. In the event of any material change (e.g. by purchase, sale, expansion, condemnation, etc.) the formula will be adjusted such that APS receives the same opportunity to recover the agreed upon level of costs.

2 General Service unmetered loads will have a demand calculated for CTC purposes based on contract energy.

3 At the end of 2004 the net present value will be calculated to compare to the \$350 million.

5/7/99

EXHIBIT C

Generation assets include, but are not limited to, APS' interest in the following generating stations:

Palo Verde
Four Corners
Navajo
Cholla
Saguaro
Ocotillo
West Phoenix
Yucca
Douglas
Childs
Irving

Including allocated common and general plant, support assets, associated land, fuel supplies and contracts, etc. Generation assets will not include facilities included in APS' FERC transmission rates.

EXHIBIT D
AFFILIATE RULES WAIVERS

R14-2-801(5) and R14-2-803, such that the term "reorganization" does not include, and no Commission approval is required for, corporate restructuring that does not directly involve the utility distribution company ("UDC") in the holding company. For example, the holding company may reorganize, form, buy or sell non-UDC affiliates, acquire or divest interests in non-UDC affiliates, etc., without Commission approval.

R14-2-804(A)

R14-2-805(A) shall apply only to the UDC

R14-2-805(A)(2)

R14-2-805(A)(6)

R14-2-805(A)(9), (10), and (11)

RECISION OF PRIOR COMMISSION ORDERS

Section X.C of the "Cogeneration and Small Power Production Policy" attached to Decision No. 52345 (July 27, 1981) regarding reporting requirements for cogeneration information.

Decision No. 55118 (July 24, 1986) - Page 15, Lines 5-1/2 through 13-1/2; Finding of Fact No. 24 relating to reporting requirements under the abolished PPFAC.

Decision No. 55818 (December 14, 1987) in its entirety. This decision related to APS Schedule 9 (Industrial Development Rate) which was terminated by the Commission in Decision No. 59329 (October 11, 1995).

9th and 10th Ordering Paragraphs of Decision No. 56450 (April 13, 1989) regarding reporting requirements under the abolished PPFAC.

[LETTERHEAD OF ARIZONA PUBLIC SERVICE]

December 1, 1999

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: APS Settlement Proceeding
ACC Docket Nos. E-01345A-98-0473, E-01345A-97-0773, RE-00000C-94-0165

Dear Sir or Madam:

Pursuant to the Opinion and Order, Decision No. 61973 in the above referenced Dockets, Arizona Public Service is filing an Addendum to the Settlement Agreement incorporating the modifications required by that Decision. This Addendum has been reviewed and executed by all signatories to the original APS Settlement Agreement.

If you have any questions regarding this filing, please contact me at (602)250-2310.

Sincerely,

Jana Van Ness

Jana Van Ness
Manager
State Regulations

Attachment

Cc: Docket Control (18 copies plus original) Parties of Record

ADDENDUM TO SETTLEMENT AGREEMENT

This Addendum is to the Settlement Agreement dated May 14, 1999 (hereafter "Agreement") between Arizona Public Service Company ("APS" or "Company") and the various signatories to the Agreement (collectively with APS, the "Parties"). By signing this Addendum to Settlement Agreement ("Addendum"), the Parties intend to revise certain provisions of the Agreement as directed by the Arizona Corporation Commission ("Commission") in Decision No. 61973 (October 6, 1999) ("Decision"). The Decision adopted and approved the Agreement subject to certain modifications.

I.

INTRODUCTION AND RECITALS

1. On May 14, 1999, the Parties entered into the Agreement;
2. On May 17, 1999, APS filed with the Commission a Notice of Filing Application for Approval of Settlement Agreement and Request for Procedural Order.
3. Commencing on July 14, 1999, and pursuant to a Procedural Order issued by the Hearing Division of the Commission, a full public evidentiary hearing on the Agreement was conducted.
4. On October 6, 1999, the Commission issued its Decision No. 61973 adopting and approving the Agreement as modified in the Decision.
5. The Parties now wish to enter into this Addendum to revise the Agreement as directed in the Decision.

II.

ADDENDUM AGREEMENT

1. METERING, METER READING, AND BILLING CREDITS

- A. The Company's revised unbundled rates and charges reflecting the metering, meter reading, and billing credits required by the Decision are attached hereto as Revised Exhibit A.
- B. The revised unbundled rates and charges in Revised Exhibit A to this Addendum are substituted for the corresponding tariffs in Exhibit A to the Agreement.
- C. Schedules A through C of Exhibit A to the Agreement are not affected by this Addendum and were adopted and approved by the Commission in the Decision as originally proposed in the Agreement.

2. **ADVANCED NOTICE FOR LARGE CUSTOMERS.** Section 2.3 of the Agreement is replaced with and superceded by the following provision:

2.3. Customers greater than 3 MW who choose a direct access supplier must either (a) give APS one year's advance notice before being eligible to return to Standard Offer service, or (b) pay APS for all additional costs incurred as a result of the customer returning to Standard Offer service without providing APS at least one year's advance notice.

3. **DEFERRAL OF TRANSFER COSTS.** Section 2.6(3) of the Agreement is replaced with and superceded by the following provision:

(3) compliance with the Electric Competition Rules or Commission-ordered programs or directives related to the implementation of the Electric Competition Rules, as they may be amended from time to time, which costs shall be recovered from all customers receiving services from APS, provided however, that no more than sixty-seven percent (67%) of the costs to transfer generation assets to an affiliate or affiliates shall be allowed to be deferred for future collection under this provision; and

4. **RATE MATTERS.** Section 2.8 of the Agreement is replaced with and superceded by the following provision:

2.8. 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.

5. GENERATION AFFILIATE. Section 4.1 of the Agreement is replaced with and superceded by the following provisions:

4.1. Affiliates.

(1) The Commission will approve the formation of an affiliate or affiliates of APS to acquire at book value the competitive services and assets as currently required by the Electric Competition Rules. In order to facilitate the separation of such assets efficiently and at the lowest possible cost, the Commission shall grant APS a two-year extension of time until December 31, 2002, to accomplish such separation. A similar two-year extension shall be authorized for compliance with A.A.C. R14-2-1606(B).

(2) The affiliate or affiliates formed under this Section 4.1 shall be direct subsidiaries of Pinnacle West Capital Corporation, and not APS.

(3) After the extensions granted in this Section 4.1 have expired, APS shall procure generation for Standard Offer customers from the competitive market as provided for in the Electric Competition Rules. An affiliated generation company formed pursuant to this Section 4.1 may competitively bid for APS' Standard Offer load, but enjoys no automatic privilege outside of the market bid on account of its affiliation with APS.

6. STATUTORY WAIVERS. Section 4.3 of the Agreement is deleted in its entirety.

7. WAIVERS OF AFFILIATE INTEREST RULES. The Revised Exhibit D to this Addendum setting forth the Affiliate Rules Waivers is substituted for the corresponding Exhibit D to the Agreement so that the proposed waiver of R14-2-804(A) in the Agreement is deleted.

8. CONFLICTS WITH ELECTRIC COMPETITION RULES. In reliance upon the Commission's directive in Decision No. 61973 (page 9) that "We want to make it clear that the Commission does not intend to revisit the stranded cost portion of the Agreement. It is also not the Commission's intent to undermine the benefits that parties have bargained for," Section 7.1 is replaced with and superseded by the following provision:

7.1. Approval of this Agreement by the Commission shall constitute a waiver of any existing Commission order, rule or regulation to the extent necessary to permit performance of the Agreement, as approved by the Commission. Any future Commission order, rule or regulation shall be construed and administered, insofar as possible, in a manner so as not to conflict with the specific provisions of this Agreement, as approved by the Commission. In the event any of the Parties deems a future Commission order, rule or regulation to be inconsistent with the specific provisions of this Agreement, a waiver of the new Commission order, rule or regulation shall be sought.

Nothing in this Agreement is intended to otherwise interfere with the Commission's ability to exercise its regulatory authority by the issuance of orders, rules or regulations. The requirements of this Agreement shall be performed in accordance with the Commission's Electric Competition Rules including any specific waivers granted by the Commission's order approving this Agreement, except where a specific provision of this Agreement would excuse compliance.

9. INTERIM CODE OF CONDUCT. Section 7.7 of the Agreement is replaced with and superceded by the following provision:

7.7. Within thirty (30) days of the date of the Commission decision approving this Agreement pursuant to Section 6.1, APS shall file an initial proposed Code of Conduct to address inter-affiliate relationships involving APS as a utility distribution company as required by the Electric Competition Rules and which includes provisions to govern the supply of generation during the two-year extension provided for by Section 4.1 of this Agreement. Interested parties may provide APS with comments on the initial proposed Code of Conduct within sixty (60) days of the date of the Commission decision approving this Agreement. APS will file a final proposed Code of Conduct for Commission approval within ninety (90) days of the date of the Commission decision approving this Agreement. Until the Commission approves a Code of Conduct for APS, APS will voluntarily comply with the initial proposed Code of Conduct or, once filed, the final proposed Code of Conduct.

10. Effect of Addendum. Other than as specifically modified by this Addendum, all provisions of the Agreement remain in full force and effect.

AGREED TO AS OF NOVEMBER 24, 1999:

RESIDENTIAL UTILITY
CONSUMER OFFICE

ARIZONA PUBLIC SERVICE COMPANY

By Barbara Wytaske

Title Acting Director

By Jack Davis

Title President Delivery & Sales

ARIZONA COMMUNITY ACTION
ASSOCIATION

(Party)

By Betty Pruitt

Title Acting Executive Director

By

Title

ARIZONANS FOR ELECTRIC CHOICE
AND COMPETITION, a coalition of
companies and associations in support
of competition that includes Cable
Systems International, BHP Copper,
Motorola, Chemical Lime, Intel,
Hughes, Honeywell, Allied Signal,
Cyprus Climax Metals, Asarco, Phelps
Dodge, Homebuilders of Central Arizona,
Arizona Mining Industry Gets Our
Support, Arizona Food Marketing
Alliance, Arizona Association of
Industries, Arizona Multi-housing
Association, Arizona Rock Products
Association, Arizona Restaurant
Association, Arizona Retailers
Association, Boeing, Arizona School
Board Association, National Federation
of Independent Business, Arizona
Hospital Association, Lockheed Martin,
Abbot Labs and Raytheon.

(Party)

By

Title

(Party)

By

Title

By Stan Barnes

Title President

**Revised
EXHIBIT D
Affiliate Rules Waivers**

R14-2-801(5) and R14-2-803, such that the term "reorganization" does not include, and no Commission approval is required for, corporate restructuring that does not directly involve the utility distribution company ("UDC") in the holding company. For example, the holding company may reorganize, form, buy or sell non-UDC affiliates, acquire or divest interests in non-UDC affiliates, etc., without Commission approval.

R14-2-805(A) shall apply only to the UDC

R14-2-805(A)(2)

R14-2-805(A)(6)

R14-2-805(A)(9), (10), and (11)

RECISSION OF PRIOR COMMISSION ORDERS

Section X.C of the "Cogeneration and Small Power Production Policy" attached to Decision No. 52345 (July 27, 1981) regarding reporting requirements for cogeneration information.

Decision No. 55118 (July 24, 1986) - Page 15, Lines 5-1/2 through 13-1/2; Finding of Fact No. 24 relating to reporting requirements under the abolished PPFAC.

Decision No. 55818 (December 14, 1987) in its entirety. This decision related to APS Schedule 9 (Industrial Development Rate) which was terminated by the Commission in Decision No. 59329 (October 11, 1995).

9th and 10th Ordering Paragraphs of Decision No. 56450 (April 13, 1989) regarding reporting requirements under the abolished PPFAC.

DA-GS1

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5351
Tariff or Schedule No. DA-GS1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
GENERAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable to all electric service required when such service is supplied at one point of delivery and measured through one meter. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met. For those service locations where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

This rate schedule is not applicable to residential service, resale service or direct access service which qualifies for Rate Schedule DA-GS10.

TYPE OF SERVICE

Service shall be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's premise. Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceed 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in the Company's Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

June - October Billing Cycles (Summer):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$12.50			
Per kW over 5		\$0.721		
Per kWh for the first 2,500 kWh		\$0.04255		
Per kWh for the next 100 kWh per kW over 5		\$0.04255		

Per kWh for the next 42,000 kWh	\$0.02901	
Per kWh for all additional kWh	\$0.01811	
Per all kWh	\$0.00115	
Per all kW		\$2.43

(CONTINUED ON REVERSE SIDE)

A. RATE (continued)

November - May Billing Cycles (Winter):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$12.50			
Per kW over 5		\$0.652		
Per kWh for the first 2,500 kWh		\$0.03827		
Per kWh for the next 100 kWh per kW over 5		\$0.03827		
Per kWh for the next 42,000 kWh		\$0.02600		
Per kWh for all additional kWh		\$0.01614		
Per all kWh			\$0.00115	
Per all kW				\$2.43

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 11.6%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 52.6%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the average kW supplied during the 15-minute period of maximum use during the month, as determined from readings of the delivery meter.

B. MINIMUM

\$12.50 plus \$1.74 for each kW in excess of five of either the highest kW established during the 12 months ending with the current month or the minimum kW specified in the agreement for service, whichever is the greater.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$7.62 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP or under the Company's Open Access Transmission Tariff. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

(CONTINUED ON PAGE 3)

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

0 - 1,999 kW:	As provided in Company's standard agreement for service.
2,000 kW and above:	Three (3) years, or longer, at Company's option for initial period when construction is required. One (1) year, or longer, at Company's option when construction is not required.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These Schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-R1**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5350
Tariff or Schedule No. DA-R1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RESIDENTIAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company and where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to electric delivery required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one point of delivery and measured through one meter. For those dwellings and apartments where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating or space heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10.)

TYPE OF SERVICE

Service shall be single phase, 60 Hertz, at one standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's premise). Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is required for motors of an individual rated capacity of 7-1/2 HP or more.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

May - October Billing Cycles (Summer):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$10.00	-----	-----	-----
All kWh		\$0.04158	\$0.00115	\$0.00930

November - April Billing Cycles (Winter):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$10.00	-----	-----	-----
All kWh		\$0.03518	\$0.00115	\$0.00930

B. MINIMUM \$ 10.00 per month

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$4.00 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to the Company's Terms and Conditions for Standard Offer and Direct Access Services (Schedule #1) and Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS10**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5352
Tariff or Schedule No. DA-GS10
Original Tariff
Effective: October 1, 1999

**DIRECT ACCESS
EXTRA LARGE GENERAL SERVICE**

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to customers whose monthly maximum demand is 3,000 kW or more for three (3) consecutive months in any continuous twelve (12) month period ending with the current month. Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by individual customer contract. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met.

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at Company's standard voltages that are available within the vicinity of customer's premise.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$2,430.00			
per kW		\$3.53		\$2.82
per kWh		\$0.00999	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 4.8%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 36.7%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's)

for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

(CONTINUED ON REVERSE SIDE)

DA-GS10
A.C.C. No. XXXX

Page 2 of 2

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

For service locations in:

- a) Isolated Areas: Ten (10) years, or longer, at Company's option, with standard seven (7) year termination period.
- b) Other Areas: Three (3) years, or longer, at Company's option.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS11
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5395
Tariff or Schedule No. DA-GS11
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RALSTON PURINA

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Ralston Purina (Site #863970289) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$2.58		\$1.86
per kWh		\$0.00732	\$0.00115	

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

(CONTINUED ON REVERSE SIDE)

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS12**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5396
Tariff or Schedule No. DA-GS12
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
BHP COPPER

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to BHP Copper (Site #774932285) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution at Primary Voltage -----	Distribution at Transmission Voltage -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00				
per kW		\$2.35	\$1.22		\$1.54
per kWh		\$0.00665	\$0.00346	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS13
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5397
Tariff or Schedule No. DA-GS13
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
CYPRUS BAGDAD

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Cyprus Bagdad (Site #120932284) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 115 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$1.05		\$1.34
per kWh		\$0.00298	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual

customer's contract) of maximum use during the month, as determined from readings of the delivery meter.

2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month, until June 30, 2004 when this minimum will no longer be applicable.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

ARIZONA PUBLIC SERVICE COMPANY

Competitive Transition Charges
By Direct Access Rate Classes

Line #	Direct Access Rate Class	Competition Transition Charges Effective January 1 of					
		1999	2000	2001	2002	2003	2004
1	Residential, DA-R1 (per kWh)	\$0.0093	\$0.0084	\$0.0063	\$0.0056	\$0.0050	\$0.0036
2	Under 3 mW, DA-GS1, (per kW/mo.)	\$ 2.43	\$ 2.20	\$ 1.66	\$ 1.46	\$ 1.30	\$ 0.94
3	3 mW and Above, DA-GS10 (per kW/mo.)	\$ 2.82	\$ 2.55	\$ 1.89	\$ 1.72	\$ 1.51	\$ 1.09
4	BHP Copper (per kW/mo.)	\$ 1.54	\$ 1.53	\$ 1.06	\$ 0.95	\$ 0.83	\$ 0.61
5	Cyprus Copper (per kW/mo.)	\$ 1.34	\$ 1.46	\$ 1.05	\$ 0.94	\$ 0.82	\$ 0.61
6	Ralston Purina (per kW/mo.)	\$ 1.86	\$ 1.98	\$ 1.50	\$ 1.34	\$ 1.18	\$ 0.87
7	Average Retail (per kWh)	\$0.0067	\$0.0061	\$0.0054	\$0.0048	\$0.0043	\$0.0031

Charges are based upon recovery of \$350 million NPV derived from APS' Compliance Filing of 8/21/98 as adjusted to synchronize Direct Access and Standard Offer revenue decreases.

ARIZONA PUBLIC SERVICE COMPANY
Distribution Charges
By Direct Access Rate Classes

Line #	Direct Access Rate Class	Distribution Charges Effective January 1 of					
		1999	2000	2001	2002	2003	2004(a)
RESIDENTIAL, DA-R1							
1	Summer per kWh	\$0.04158	\$0.04041	\$0.03934	\$0.03837	\$0.03748	\$0.03689
2	Winter per kWh	\$0.03518	\$0.03419	\$0.03329	\$0.03247	\$0.03172	\$0.03122
DA-GS1 (UNDER 3 MW)							
Summer Rates							
3	per kW for all kW over 5	\$ 0.721	\$ 0.691	\$ 0.663	\$ 0.638	\$ 0.615	\$ 0.600
4	per kWh for the first 2,500 kWh	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
5	per kWh for the next 100 kWh per kW over 5	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
6	per kWh for the next 42,000 kWh	\$0.02901	\$0.02779	\$0.02667	\$0.02565	\$0.02473	\$0.02411
7	per kWh for all additional kWh	\$0.01811	\$0.01735	\$0.01665	\$0.01602	\$0.01544	\$0.01506
Winter Rates							
8	per kW for all kW over 5	\$ 0.652	\$ 0.624	\$ 0.599	\$ 0.576	\$ 0.555	\$ 0.541
9	per kWh for the first 2,500 kWh	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
10	per kWh for the next 100 kWh per kW over 5	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
11	per kWh for the next 42,000 kWh	\$0.02600	\$0.02490	\$0.02390	\$0.02299	\$0.02216	\$0.02161
12	per kWh for all additional kWh	\$0.01614	\$0.01546	\$0.01484	\$0.01427	\$0.01376	\$0.01342
Voltage Discounts							
13	Primary Voltage	11.6%	12.1%	12.6%	13.1%	13.6%	13.9%
14	Transmission Voltage	52.6%	54.9%	57.2%	59.5%	61.7%	63.3%
DA-GS10 (3 MW AND ABOVE)							
15	per kW	\$ 3.53	\$ 3.33	\$ 3.15	\$ 2.98	\$ 2.83	\$ 2.73
16	per kWh	\$0.00999	\$0.00943	\$0.00892	\$0.00845	\$0.00802	\$0.00774
Voltage Discounts							
17	Primary Voltage Discount	4.8%	5.1%	5.3%	5.6%	5.9%	6.2%
18	Transmission Voltage Discount	36.7%	38.9%	41.1%	43.4%	45.8%	47.4%
DA-GS11 (RALSTON PURINA)							
19	per kW	\$ 2.58	\$ 2.71	\$ 2.57	\$ 2.44	\$ 2.32	\$ 2.25
20	per kWh	\$0.00732	\$0.00767	\$0.00727	\$0.00691	\$0.00657	\$0.00635
DA-GS12 (BHP COPPER)							
21	Primary Voltage Delivery - per kW	\$ 2.35	\$ 2.30	\$ 2.16	\$ 2.07	\$ 1.99	\$ 1.93
22	per kWh	\$0.00665	\$0.00651	\$0.00611	\$0.00585	\$0.00561	\$0.00546
23	Transmission Voltage Delivery - per kW	\$ 1.22	\$ 1.17	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
24	per kWh	\$0.00346	\$0.00332	\$0.00292	\$0.00266	\$0.00242	\$0.00227
DA-GS13 (CYPRUS BAGDAD)							
25	per kW	\$ 1.05	\$ 1.21	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
26	per kWh	\$0.00297	\$0.00343	\$0.00292	\$0.00266	\$0.00242	\$0.00227

(a) Transmission voltage customers will not pay Distribution Charges after June 30, 2004

ARIZONA PUBLIC SERVICE COMPANY

Regulatory Asset Amortization Schedule
(Millions of Dollars)

1999	2000	2001	2002	2003	1/1 - 6/30 2004(1)	Total(2)
-----	-----	-----	-----	-----	-----	-----
164	158	145	115	86	18	686

(1) Amortization ends 6/30/2004

(2) Includes the disallowance from Section 3.3

ATTACHMENT E

LIST OF COUNTY AND MUNICIPAL FRANCHISES

ATTACHMENT E

PAGE 1 OF 4

MUNICIPAL FRANCHISES
(EXPIRATION DATE ORDER)

MUNICIPALITY NAME -----	EFFECTIVE DATE ----	EXPIRATION DATE -----
Winkelman	11/25/75	November 25, 2000
Holbrook	4/28/76	April 28, 2001
Prescott	10/11/76	October 11, 2001
Eloy	6/21/77	June 21, 2002
Chandler	7/28/77	July 28, 2002
Gilbert	12/13/77	December 13, 2002
Casa Grande	12/19/77	December 19, 2002
Superior	1/1/78	January 1, 2003
Coolidge	1/13/78	January 13, 2003
Florence	6/1/78	June 1, 2003
Miami	6/19/78	June 19, 2003
Buckeye	5/14/79	May 14, 2004
Prescott Valley	8/9/79	August 9, 2004
Phoenix	10/5/79	October 4, 2004
Winslow	10/23/79	October 23, 2004
El Mirage	3/13/80	March 13, 2005
Scottsdale	3/30/80	March 29, 2005

MUNICIPALITY NAME -----	EFFECTIVE DATE ----	EXPIRATION DATE -----
Avondale	4/12/89	April 12, 2005
Goodyear	4/14/80	April 14, 2005
Parker	5/5/80	May 5, 2005
Peoria	/13/80	May 13, 2005
Glendale	6/14/80	June 13, 2005
Wickenburg	9/8/80	September 8, 2005
Snowflake	2/11/81	February 11, 2006
Bisbee	6/30/81	June 30, 2006
San Luis	7/8/81	July 8, 2006
Show Low	11/25/81	Nov. 25, 2006
Douglas	4/27/82	April 27, 2007
Tempe	1/1/82	January 1, 2007
Clarkdale	7/12/84	July 12, 2009
Hayden	3/18/85	March 18, 2010
Carefree	6/5/85	June 5, 2010
Yuma	6/5/90	June 5, 2010
Cottonwood	6/3/86	June 3, 2011
Kearny	6/6/86	June 6, 2011
Youngtown	7/17/86	July 17, 2011

MUNICIPALITY NAME -----	EFFECTIVE DATE ----	EXPIRATION DATE -----
Flagstaff	8/21/86	August 21, 2011
Tombstone	10/20/86	October 20, 2011
Camp Verde	11/25/87	Nov. 25, 2012
Surprise	12/17/87	Dec. 17, 2012
Paradise Valley	1/19/88	January 19, 2013
Litchfield Park	3/15/88	March 15, 2013
Cave Creek	12/6/88	December 6, 2013
Gila Bend	12/6/88	December 6, 2013
Globe	8/22/89	August 22, 2014
Quartzsite	3/20/90	March 20, 2015
Sedona	11/19/91	Nov. 19, 2016
Taylor	6/16/92	June 16, 2017
Somerton	4/27/93	April 27, 2018
Chino Valley	03/11/97	March 11, 2022
Payson	5/8/74	May 9, 2024

COUNTY FRANCHISES
(EXPIRATION DATE ORDER)

COUNTY NAME -----	EFFECTIVE DATE ----	EXPIRATION DATE -----
Yavapai	10/24/77	October 24, 2002
Navajo	10/21/80	October 21, 2005
Coconino	5/4/81	May 4, 2006
La Paz	4/23/84	April 23, 2009
Cochise	4/25/88	April 25, 2013
Apache	12/18/89	December 18, 2014
Gila	1/27/92	January 27, 2017
Yuma	10/3/94	October 3, 2019
Pima	12/13/94	December 13, 2019
Pinal	8/27/95	August 27, 2020
Maricopa	9/18/96	September 18, 2021

ATTACHMENT F

FORM OF NOTICE

**NOTICE OF FILING
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

ARIZONA PUBLIC SERVICE COMPANY)
PINNACLE WEST CAPITAL CORPORATION)
PINNACLE WEST ENERGY CORPORATION) DOCKET NO. EC00-_____

**NOTICE OF FILING
(____, 2000)**

Take notice that on July 28, 2000, Arizona Public Service Corporation ("APS"), Pinnacle West Capital Corporation ("PWCC"), and Pinnacle West Energy Corporation, ("PWE") (collectively, "Applicants"), filed with the Commission an Application for Authorization to Transfer Jurisdictional Facilities under Section 203 of the Federal Power Act, 16 U.S.C. ss. 824b (1994), and Part 33 of the Federal Energy Regulatory Commission's (FERC or the Commission) Regulations, 18 C.F.R. ss.ss. 33.1-33.10 (1999).

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedures (18 C.F.R. ss. 385.211 and 18 C.F.R. ss. 385.214). All such motions or protests should be filed on or before _____, 2000. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

David P. Boergers Secretary

EXHIBIT A

RESOLUTION OF APS'S BOARD OF DIRECTORS

Applicants have requested a waiver from the requirement to file Exhibit A.

EXHIBIT B

PAGE 1 OF 2

EXHIBIT B

STATEMENT OF MEASURE OF CONTROL

The proposed transactions will not create new corporate relationships with third parties. All relevant entities are wholly owned subsidiaries of PWCC, which remains the parent company. These entities include APS, PWE, and APSES. PWCC does not own any bank, trust company, banking association, or firm that is authorized by law to underwrite or participate in the marketing of securities of a public utility, or any company supplying electric equipment to such party.

EXHIBIT B

PAGE 2 OF 2

STATE OF ARIZONA)

) ss.

County of Maricopa)

I, Barbara M. Gomez, Treasurer of Pinnacle West Energy Corporation, do hereby certify that I have read the foregoing Exhibit B to the application of Arizona Public Service Company, Pinnacle West Capital Corporation and Pinnacle West Energy Corporation for approval of transfer of facilities and that the information contained therein is true to the best of my knowledge, information and belief.

Barbara M. Gomez

SUBSCRIBED AND SWORN to before me this 24th day of July, 2000.

Joel R. Spitzkoff
Notary Public

My Commission expires:

June 22, 2003

EXHIBIT C

BALANCE SHEET

Applicants have requested a waiver from the requirement to file Exhibit C.

EXHIBIT D

STATEMENT OF CONTINGENT LIABILITIES

Applicants have requested a waiver from the requirement to file Exhibit D.

EXHIBIT E

INCOME STATEMENT

Applicants have requested a waiver from the requirement to file Exhibit E.

EXHIBIT F

ANALYSIS OF RETAINED EARNINGS

Applicants have requested a waiver from the requirement to file Exhibit F.

EXHIBIT G

APPLICATIONS FILED WITH OTHER FEDERAL AND STATE REGULATORS

In the event Applicants file their Application with the Nuclear Regulatory Commission ("NRC") for approval to transfer APS's interest in the Palo Verde Nuclear Generating Facility to PWE prior to such time as the Commission has approved the instant Section 203 application, Applicants will submit a copy of the NRC Application to the Commission. Otherwise, Applicants request a waiver from the requirement to file Exhibit G.

EXHIBIT H

PAGE 1 OF 2

EXHIBIT H

COPY OF ALL CONTRACTS BETWEEN APS AND PWE

REGARDING THE PROPOSED TRANSFER OF ASSETS

As this Application is for an affiliate transfer, APS has not entered into any contracts to sell, lease, or otherwise dispose of the jurisdictional facilities that are the subject of this Application.

EXHIBIT H

PAGE 2 OF 2

STATE OF ARIZONA)

) ss.

County of Maricopa)

I, Barbara M. Gomez, Treasurer of Pinnacle West Energy Corporation, do hereby certify that I have read the foregoing Exhibit H to the application of Arizona Public Service Company, Pinnacle West Capital Corporation and Pinnacle West Energy Corporation for approval of transfer of facilities and that the information contained therein is true to the best of my knowledge, information and belief.

Barbara M. Gomez

SUBSCRIBED AND SWORN to before me this 27th day of July, 2000.

Joel R. Spitzkoff
Notary Public

My Commission expires:

June 22, 2003

EXHIBIT I

PAGE 1 OF 3

MAP

APS ELECTRICAL GENERATING SYSTEM

Pursuant to Regulation S-T, Rule 304 and 311, Exhibit I includes a map of the State of Arizona titled "APS Electrical Generating System" showing the name and geographic location of the generating facilities owned or leased by APS. This exhibit also includes a list of such generating facilities identifying the number and type of units at each such facility and the location (by county) of each such facility. The Yucca unit is located in Yuma county; the Douglas unit is located in Cochise county; the Saguaro unit is located in Pinal County; the Ocotillo, West Phoenix, Palo Verde, Glendale, and Scottsdale units are located in Maricopa county; the Cholla unit is located in the Navajo county; the Four Corners unit is located in San Juan county; the Navajo, and Coconino units are located in Coconino county.

EXHIBIT I

APS ELECTRICAL GENERATING SYSTEM

	UNIT NAME -----	COUNTY -----	OWNERSHIP -----
1	YUCCA: Combustion Turbine 1 Combustion Turbine 2 Combustion Turbine 3 Combustion Turbine 4	YUMA	Arizona Public Service
2	DOUGLAS: Combustion Turbine 1	COCHISE	Arizona Public Service
3	SAGUARO: Steam Unit 1 Steam Unit 2 Combustion Turbine 1 Combustion Turbine 2	PINAL	Arizona Public Service
4	OCOTILLO: Steam Unit 1 Steam Unit 2 Combustion Turbine 1 Combustion Turbine 2 Solar 1 Solar 2	MARICOPA	Arizona Public Service
5	WEST PHOENIX: Steam Unit 4 Steam Unit 5 Steam Unit 6 Combustion Turbine 1 Combustion Turbine 2 Combined Cycle 1 Combined Cycle 2 Combined Cycle 3	MARICOPA	Arizona Public Service
6	CHOLLA: Coal Unit 1 Coal Unit 2 Coal Unit 3	NAVAJO	Arizona Public Service
7	FOUR CORNERS: Coal Unit 1 Coal Unit 2 Coal Unit 3 Coal Unit 4 Coal Unit 5	SAN JUAN	Arizona Public Service, Salt River Project, Tucson Electric Power Public Service New Mexico, Southern Cal Edison, El Paso Electric
8	NAVAJO: Coal Unit 1 Coal Unit 2 Coal Unit 3	COCONINO	Arizona Public Service, Salt River Project, Tucson Electric Power Nevada Power, Los Angeles Dept of Water and Power, US Government
9	PALO VERDE: Nuclear Unit 1 Nuclear Unit 2 Nuclear Unit 3	MARICOPA	Arizona Public Service, Salt River Project, Southern Cal Public Auth, Public Service New Mexico, Southern Cal Edison, El Paso Electric, Los Angeles Dept of Water and Power
10	COCONINO Solar 1	COCONINO	Arizona Public Service
11	GLENDALE Solar 1	MARICOPA	Arizona Public Service
12	SCOTTSDALE Solar 1	MARICOPA	Arizona Public Service

EXHIBIT I

PAGE 3 OF 3

STATE OF ARIZONA)
) ss.
County of Maricopa)

I, Ellen Willhite, Manager, Generation Administration Support, of Arizona Public Service Company, do hereby certify that the foregoing Exhibit I contains an accurate depiction of the facilities that Arizona Public Service is transferring to Pinnacle West Energy Corporation.

Ellen Willhite
Ellen Willhite

SUBSCRIBED AND SWORN to before me this 24 day of July, 2000.

Twyla Hannah
Notary Public

My Commission expires:

[SEAL]

EXHIBIT D-6

[LETTERHEAD OF ARIZONA PUBLIC SERVICE]

December 1, 1999

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: APS Settlement Proceeding
ACC Docket Nos. E-01345A-98-0473, E-01345A-97-0773, RE-00000C-94-0165

Dear Sir or Madam:

Pursuant to the Opinion and Order, Decision No. 61973 in the above referenced Dockets, Arizona Public Service is filing an Addendum to the Settlement Agreement incorporating the modifications required by that Decision. This Addendum has been reviewed and executed by all signatories to the original APS Settlement Agreement.

If you have any questions regarding this filing, please contact me at (602)250-2310.

Sincerely,

Jana Van Ness

Jana Van Ness
Manager
State Regulations

Attachment

Cc: Docket Control (18 copies plus original) Parties of Record

ADDENDUM TO SETTLEMENT AGREEMENT

This Addendum is to the Settlement Agreement dated May 14, 1999 (hereafter "Agreement") between Arizona Public Service Company ("APS" or "Company") and the various signatories to the Agreement (collectively with APS, the "Parties"). By signing this Addendum to Settlement Agreement ("Addendum"), the Parties intend to revise certain provisions of the Agreement as directed by the Arizona Corporation Commission ("Commission") in Decision No. 61973 (October 6, 1999) ("Decision"). The Decision adopted and approved the Agreement subject to certain modifications.

I.

INTRODUCTION AND RECITALS

1. On May 14, 1999, the Parties entered into the Agreement;
2. On May 17, 1999, APS filed with the Commission a Notice of Filing Application for Approval of Settlement Agreement and Request for Procedural Order.
3. Commencing on July 14, 1999, and pursuant to a Procedural Order issued by the Hearing Division of the Commission, a full public evidentiary hearing on the Agreement was conducted.
4. On October 6, 1999, the Commission issued its Decision No. 61973 adopting and approving the Agreement as modified in the Decision.
5. The Parties now wish to enter into this Addendum to revise the Agreement as directed in the Decision.

II.

ADDENDUM AGREEMENT

1. METERING, METER READING, AND BILLING CREDITS

- A. The Company's revised unbundled rates and charges reflecting the metering, meter reading, and billing credits required by the Decision are attached hereto as Revised Exhibit A.
- B. The revised unbundled rates and charges in Revised Exhibit A to this Addendum are substituted for the corresponding tariffs in Exhibit A to the Agreement.
- C. Schedules A through C of Exhibit A to the Agreement are not affected by this Addendum and were adopted and approved by the Commission in the Decision as originally proposed in the Agreement.

2. **ADVANCED NOTICE FOR LARGE CUSTOMERS.** Section 2.3 of the Agreement is replaced with and superceded by the following provision:

2.3. Customers greater than 3 MW who choose a direct access supplier must either (a) give APS one year's advance notice before being eligible to return to Standard Offer service, or (b) pay APS for all additional costs incurred as a result of the customer returning to Standard Offer service without providing APS at least one year's advance notice.

3. **DEFERRAL OF TRANSFER COSTS.** Section 2.6(3) of the Agreement is replaced with and superceded by the following provision:

(3) compliance with the Electric Competition Rules or Commission-ordered programs or directives related to the implementation of the Electric Competition Rules, as they may be amended from time to time, which costs shall be recovered from all customers receiving services from APS, provided however, that no more than sixty-seven percent (67%) of the costs to transfer generation assets to an affiliate or affiliates shall be allowed to be deferred for future collection under this provision; and

4. **RATE MATTERS.** Section 2.8 of the Agreement is replaced with and superceded by the following provision:

2.8. 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.

5. GENERATION AFFILIATE. Section 4.1 of the Agreement is replaced with and superceded by the following provisions:

4.1. Affiliates.

(1) The Commission will approve the formation of an affiliate or affiliates of APS to acquire at book value the competitive services and assets as currently required by the Electric Competition Rules. In order to facilitate the separation of such assets efficiently and at the lowest possible cost, the Commission shall grant APS a two-year extension of time until December 31, 2002, to accomplish such separation. A similar two-year extension shall be authorized for compliance with A.A.C. R14-2-1606(B).

(2) The affiliate or affiliates formed under this Section 4.1 shall be direct subsidiaries of Pinnacle West Capital Corporation, and not APS.

(3) After the extensions granted in this Section 4.1 have expired, APS shall procure generation for Standard Offer customers from the competitive market as provided for in the Electric Competition Rules. An affiliated generation company formed pursuant to this Section 4.1 may competitively bid for APS' Standard Offer load, but enjoys no automatic privilege outside of the market bid on account of its affiliation with APS.

6. STATUTORY WAIVERS. Section 4.3 of the Agreement is deleted in its entirety.

7. WAIVERS OF AFFILIATE INTEREST RULES. The Revised Exhibit D to this Addendum setting forth the Affiliate Rules Waivers is substituted for the corresponding Exhibit D to the Agreement so that the proposed waiver of R14-2-804(A) in the Agreement is deleted.

8. CONFLICTS WITH ELECTRIC COMPETITION RULES. In reliance upon the Commission's directive in Decision No. 61973 (page 9) that "We want to make it clear that the Commission does not intend to revisit the stranded cost portion of the Agreement. It is also not the Commission's intent to undermine the benefits that parties have bargained for," Section 7.1 is replaced with and superseded by the following provision:

7.1. Approval of this Agreement by the Commission shall constitute a waiver of any existing Commission order, rule or regulation to the extent necessary to permit performance of the Agreement, as approved by the Commission. Any future Commission order, rule or regulation shall be construed and administered, insofar as possible, in a manner so as not to conflict with the specific provisions of this Agreement, as approved by the Commission. In the event any of the Parties deems a future Commission order, rule or regulation to be inconsistent with the specific provisions of this Agreement, a waiver of the new Commission order, rule or regulation shall be sought.

Nothing in this Agreement is intended to otherwise interfere with the Commission's ability to exercise its regulatory authority by the issuance of orders, rules or regulations. The requirements of this Agreement shall be performed in accordance with the Commission's Electric Competition Rules including any specific waivers granted by the Commission's order approving this Agreement, except where a specific provision of this Agreement would excuse compliance.

9. INTERIM CODE OF CONDUCT. Section 7.7 of the Agreement is replaced with and superceded by the following provision:

7.7. Within thirty (30) days of the date of the Commission decision approving this Agreement pursuant to Section 6.1, APS shall file an initial proposed Code of Conduct to address inter-affiliate relationships involving APS as a utility distribution company as required by the Electric Competition Rules and which includes provisions to govern the supply of generation during the two-year extension provided for by Section 4.1 of this Agreement. Interested parties may provide APS with comments on the initial proposed Code of Conduct within sixty (60) days of the date of the Commission decision approving this Agreement. APS will file a final proposed Code of Conduct for Commission approval within ninety (90) days of the date of the Commission decision approving this Agreement. Until the Commission approves a Code of Conduct for APS, APS will voluntarily comply with the initial proposed Code of Conduct or, once filed, the final proposed Code of Conduct.

10. Effect of Addendum. Other than as specifically modified by this Addendum, all provisions of the Agreement remain in full force and effect.

AGREED TO AS OF NOVEMBER 24, 1999:

RESIDENTIAL UTILITY
CONSUMER OFFICE

ARIZONA PUBLIC SERVICE COMPANY

By Barbara Wytaske

Title Acting Director

By Jack Davis

Title President Delivery & Sales

ARIZONA COMMUNITY ACTION
ASSOCIATION

(Party)

By Betty Pruitt

Title Acting Executive Director

By

Title

ARIZONANS FOR ELECTRIC CHOICE
AND COMPETITION, a coalition of
companies and associations in support
of competition that includes Cable
Systems International, BHP Copper,
Motorola, Chemical Lime, Intel,
Hughes, Honeywell, Allied Signal,
Cyprus Climax Metals, Asarco, Phelps
Dodge, Homebuilders of Central Arizona,
Arizona Mining Industry Gets Our
Support, Arizona Food Marketing
Alliance, Arizona Association of
Industries, Arizona Multi-housing
Association, Arizona Rock Products
Association, Arizona Restaurant
Association, Arizona Retailers
Association, Boeing, Arizona School
Board Association, National Federation
of Independent Business, Arizona
Hospital Association, Lockheed Martin,
Abbot Labs and Raytheon.

(Party)

By

Title

(Party)

By

Title

By Stan Barnes

Title President

**Revised
EXHIBIT D
Affiliate Rules Waivers**

R14-2-801(5) and R14-2-803, such that the term "reorganization" does not include, and no Commission approval is required for, corporate restructuring that does not directly involve the utility distribution company ("UDC") in the holding company. For example, the holding company may reorganize, form, buy or sell non-UDC affiliates, acquire or divest interests in non-UDC affiliates, etc., without Commission approval.

R14-2-805(A) shall apply only to the UDC

R14-2-805(A)(2)

R14-2-805(A)(6)

R14-2-805(A)(9), (10), and (11)

RECISSION OF PRIOR COMMISSION ORDERS

Section X.C of the "Cogeneration and Small Power Production Policy" attached to Decision No. 52345 (July 27, 1981) regarding reporting requirements for cogeneration information.

Decision No. 55118 (July 24, 1986) - Page 15, Lines 5-1/2 through 13-1/2; Finding of Fact No. 24 relating to reporting requirements under the abolished PPFAC.

Decision No. 55818 (December 14, 1987) in its entirety. This decision related to APS Schedule 9 (Industrial Development Rate) which was terminated by the Commission in Decision No. 59329 (October 11, 1995).

9th and 10th Ordering Paragraphs of Decision No. 56450 (April 13, 1989) regarding reporting requirements under the abolished PPFAC.

DA-GS1

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5351
Tariff or Schedule No. DA-GS1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
GENERAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable to all electric service required when such service is supplied at one point of delivery and measured through one meter. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met. For those service locations where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

This rate schedule is not applicable to residential service, resale service or direct access service which qualifies for Rate Schedule DA-GS10.

TYPE OF SERVICE

Service shall be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's premise. Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceed 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in the Company's Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

June - October Billing Cycles (Summer):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$12.50			
Per kW over 5		\$0.721		
Per kWh for the first 2,500 kWh		\$0.04255		
Per kWh for the next 100 kWh per kW over 5		\$0.04255		

Per kWh for the next 42,000 kWh	\$0.02901	
Per kWh for all additional kWh	\$0.01811	
Per all kWh	\$0.00115	
Per all kW		\$2.43

(CONTINUED ON REVERSE SIDE)

A. RATE (continued)

November - May Billing Cycles (Winter):

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$12.50			
Per kW over 5		\$0.652		
Per kWh for the first 2,500 kWh		\$0.03827		
Per kWh for the next 100 kWh per kW over 5		\$0.03827		
Per kWh for the next 42,000 kWh		\$0.02600		
Per kWh for all additional kWh		\$0.01614		
Per all kWh			\$0.00115	
Per all kW				\$2.43

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 11.6%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 52.6%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the average kW supplied during the 15-minute period of maximum use during the month, as determined from readings of the delivery meter.

B. MINIMUM

\$12.50 plus \$1.74 for each kW in excess of five of either the highest kW established during the 12 months ending with the current month or the minimum kW specified in the agreement for service, whichever is the greater.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$7.62 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP or under the Company's Open Access Transmission Tariff. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

(CONTINUED ON PAGE 3)

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

0 - 1,999 kW:	As provided in Company's standard agreement for service.
2,000 kW and above:	Three (3) years, or longer, at Company's option for initial period when construction is required. One (1) year, or longer, at Company's option when construction is not required.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These Schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-R1**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5350
Tariff or Schedule No. DA-R1
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RESIDENTIAL SERVICE

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company and where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to electric delivery required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one point of delivery and measured through one meter. For those dwellings and apartments where electric service has historically been measured through two meters, when one of the meters was installed pursuant to a water heating or space heating rate schedule no longer in effect, the electric service measured by such meters shall be combined for billing purposes.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10.)

TYPE OF SERVICE

Service shall be single phase, 60 Hertz, at one standard voltage (120/240 or 120/208 as may be selected by customer subject to availability at the customer's premise). Three phase service is furnished under the Company's Conditions Governing Extensions of Electric Distribution Lines and Services (Schedule #3). Transformation equipment is included in cost of extension. Three phase service is required for motors of an individual rated capacity of 7-1/2 HP or more.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for load profiling or hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

May - October Billing Cycles (Summer):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$10.00	-----	-----	-----
All kWh		\$0.04158	\$0.00115	\$0.00930

November - April Billing Cycles (Winter):

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$10.00	-----	-----	-----
All kWh		\$0.03518	\$0.00115	\$0.00930

B. MINIMUM \$ 10.00 per month

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$4.00 per month
Meter Reading	\$1.69 per month
Billing	\$1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to the Company's Terms and Conditions for Standard Offer and Direct Access Services (Schedule #1) and Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS10**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5352
Tariff or Schedule No. DA-GS10
Original Tariff
Effective: October 1, 1999

**DIRECT ACCESS
EXTRA LARGE GENERAL SERVICE**

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable to customers receiving electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. This rate schedule is applicable only to customers whose monthly maximum demand is 3,000 kW or more for three (3) consecutive months in any continuous twelve (12) month period ending with the current month. Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by individual customer contract. For those customers whose electricity is delivered through more than one meter, service for each meter shall be computed separately under this rate unless conditions in accordance with the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service) are met.

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at Company's standard voltages that are available within the vicinity of customer's premise.

METERING REQUIREMENTS

All customers shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service	Distribution	System Benefits	Competitive Transition Charge
\$/month	\$2,430.00			
per kW		\$3.53		\$2.82
per kWh		\$0.00999	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

1. For customers served at primary voltage (12.5kV to below 69kV), the Distribution charge will be discounted by 4.8%.
2. For customers served at transmission voltage (69kV or higher), the Distribution charge will be discounted 36.7%.
3. Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's)

for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

(CONTINUED ON REVERSE SIDE)

DA-GS10
A.C.C. No. XXXX

Page 2 of 2

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customers served under this rate schedule are responsible for acquiring their own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

Customers served under this rate schedule who have on-site generation connected to the Company's electrical delivery grid shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

CONTRACT PERIOD

For service locations in:

- a) Isolated Areas: Ten (10) years, or longer, at Company's option, with standard seven (7) year termination period.
- b) Other Areas: Three (3) years, or longer, at Company's option.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS11
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5395
Tariff or Schedule No. DA-GS11
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
RALSTON PURINA

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Ralston Purina (Site #863970289) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$2.58		\$1.86
per kWh		\$0.00732	\$0.00115	

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 15-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

(CONTINUED ON REVERSE SIDE)

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS12**

ELECTRIC DELIVERY RATES

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5396
Tariff or Schedule No. DA-GS12
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
BHP COPPER

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to BHP Copper (Site #774932285) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 12.5 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution at Primary Voltage -----	Distribution at Transmission Voltage -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00				
per kW		\$2.35	\$1.22		\$1.54
per kWh		\$0.00665	\$0.00346	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual customer's contract) of maximum use during the month, as determined from readings of the delivery meter.
2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

**Exhibit A
DA-GS13
ELECTRIC DELIVERY RATES**

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Alan Propper
Title: Director, Pricing and Regulation

A.C.C. No. 5397
Tariff or Schedule No. DA-GS13
Original Tariff
Effective: October 1, 1999

DIRECT ACCESS
CYPRUS BAGDAD

AVAILABILITY

This rate schedule is available in all certificated retail delivery service territory served by Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

APPLICATION

This rate schedule is applicable only to Cyprus Bagdad (Site #120932284) when it receives electric energy on a direct access basis from any certificated Electric Service Provider (ESP) as defined in A.A.C. R14-2-1603. Service must be supplied as specified by individual customer contract and the Company's Schedule #4 (Totalized Metering of Multiple Service Entrance Sections At a Single Premise for Standard Offer and Direct Access Service).

This rate schedule is not applicable to resale service.

This rate schedule shall become effective as defined in Company's Terms and Conditions for Direct Access (Schedule #10).

TYPE OF SERVICE

Service shall be three phase, 60 Hertz, at 115 kV or higher.

METERING REQUIREMENTS

Customer shall comply with the terms and conditions for hourly metering specified in Schedule #10.

MONTHLY BILL

The monthly bill shall be the greater of the amount computed under A. or B. below, including the applicable Adjustments.

A. RATE

	Basic Delivery Service -----	Distribution -----	System Benefits -----	Competitive Transition Charge -----
\$/month	\$2,430.00			
per kW		\$1.05		\$1.34
per kWh		\$0.00298	\$0.00115	

PRIMARY AND TRANSMISSION LEVEL SERVICE:

Pursuant to A.A.C. R14-2-1612.K.11, the Company shall retain ownership of Current Transformers (CT's) and Potential Transformers (PT's) for those customers taking service at voltage levels of more than 25 kV. For customers whose metering services are provided by an ESP, a monthly facilities charge will be billed, in addition to all other applicable charges shown above, as determined in the service contract based upon the Company's cost of CT and PT ownership, maintenance and operation.

DETERMINATION OF KW

The kW used for billing purposes shall be the greater of:

1. The kW used for billing purposes shall be the average kW supplied during the 30-minute period (or other period as specified by individual

customer's contract) of maximum use during the month, as determined from readings of the delivery meter.

2. The minimum kW specified in the agreement for service or individual customer contract.

B. MINIMUM

\$2,430.00 per month plus \$1.74 per kW per month, until June 30, 2004 when this minimum will no longer be applicable.

(CONTINUED ON REVERSE SIDE)

ADJUSTMENTS

1. When Metering, Meter Reading or Consolidated Billing are provided by the Customer's ESP, the monthly bill will be credited as follows:

Meter	\$154.15 per month
Meter Reading	\$ 1.69 per month
Billing	\$ 1.33 per month

2. The monthly bill is also subject to the applicable proportionate part of any taxes, or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric service sold and/or the volume of energy delivered or purchased for sale and/or sold hereunder.

SERVICES ACQUIRED FROM CERTIFICATED ELECTRIC SERVICE PROVIDERS

Customer is responsible for acquiring its own generation and any other required competitively supplied services from an ESP. The Company will provide and bill its transmission and ancillary services on rates approved by the Federal Energy Regulatory Commission to the Scheduling Coordinator who provides transmission service to the Customer's ESP. The Customer's ESP must submit a Direct Access Service Request pursuant to the terms and conditions in Schedule #10.

ON-SITE GENERATION TERMS AND CONDITIONS

If Customer has on-site generation connected to the Company's electrical delivery grid, it shall enter into an Agreement for Interconnection with the Company which shall establish all pertinent details related to interconnection and other required service standards. The Customer does not have the option to sell power and energy to the Company under this tariff.

TERMS AND CONDITIONS

This rate schedule is subject to Company's Terms and Conditions for Standard Offer and Direct Access Service (Schedule #1) and the Company's Schedule #10. These schedules have provisions that may affect customer's monthly bill.

ARIZONA PUBLIC SERVICE COMPANY

Competitive Transition Charges
By Direct Access Rate Classes

Line #	Direct Access Rate Class	Competition Transition Charges Effective January 1 of					
		1999	2000	2001	2002	2003	2004
1	Residential, DA-R1 (per kWh)	\$0.0093	\$0.0084	\$0.0063	\$0.0056	\$0.0050	\$0.0036
2	Under 3 mW, DA-GS1, (per kW/mo.)	\$ 2.43	\$ 2.20	\$ 1.66	\$ 1.46	\$ 1.30	\$ 0.94
3	3 mW and Above, DA-GS10 (per kW/mo.)	\$ 2.82	\$ 2.55	\$ 1.89	\$ 1.72	\$ 1.51	\$ 1.09
4	BHP Copper (per kW/mo.)	\$ 1.54	\$ 1.53	\$ 1.06	\$ 0.95	\$ 0.83	\$ 0.61
5	Cyprus Copper (per kW/mo.)	\$ 1.34	\$ 1.46	\$ 1.05	\$ 0.94	\$ 0.82	\$ 0.61
6	Ralston Purina (per kW/mo.)	\$ 1.86	\$ 1.98	\$ 1.50	\$ 1.34	\$ 1.18	\$ 0.87
7	Average Retail (per kWh)	\$0.0067	\$0.0061	\$0.0054	\$0.0048	\$0.0043	\$0.0031

Charges are based upon recovery of \$350 million NPV derived from APS' Compliance Filing of 8/21/98 as adjusted to synchronize Direct Access and Standard Offer revenue decreases.

ARIZONA PUBLIC SERVICE COMPANY
Distribution Charges
By Direct Access Rate Classes

Line #	Direct Access Rate Class	Distribution Charges Effective January 1 of					
		1999	2000	2001	2002	2003	2004(a)
RESIDENTIAL, DA-R1							
1	Summer per kWh	\$0.04158	\$0.04041	\$0.03934	\$0.03837	\$0.03748	\$0.03689
2	Winter per kWh	\$0.03518	\$0.03419	\$0.03329	\$0.03247	\$0.03172	\$0.03122
DA-GS1 (UNDER 3 MW)							
Summer Rates							
3	per kW for all kW over 5	\$ 0.721	\$ 0.691	\$ 0.663	\$ 0.638	\$ 0.615	\$ 0.600
4	per kWh for the first 2,500 kWh	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
5	per kWh for the next 100 kWh per kW over 5	\$0.04255	\$0.04075	\$0.03912	\$0.03763	\$0.03627	\$0.03537
6	per kWh for the next 42,000 kWh	\$0.02901	\$0.02779	\$0.02667	\$0.02565	\$0.02473	\$0.02411
7	per kWh for all additional kWh	\$0.01811	\$0.01735	\$0.01665	\$0.01602	\$0.01544	\$0.01506
Winter Rates							
8	per kW for all kW over 5	\$ 0.652	\$ 0.624	\$ 0.599	\$ 0.576	\$ 0.555	\$ 0.541
9	per kWh for the first 2,500 kWh	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
10	per kWh for the next 100 kWh per kW over 5	\$0.03827	\$0.03666	\$0.03519	\$0.03385	\$0.03263	\$0.03182
11	per kWh for the next 42,000 kWh	\$0.02600	\$0.02490	\$0.02390	\$0.02299	\$0.02216	\$0.02161
12	per kWh for all additional kWh	\$0.01614	\$0.01546	\$0.01484	\$0.01427	\$0.01376	\$0.01342
Voltage Discounts							
13	Primary Voltage	11.6%	12.1%	12.6%	13.1%	13.6%	13.9%
14	Transmission Voltage	52.6%	54.9%	57.2%	59.5%	61.7%	63.3%
DA-GS10 (3 MW AND ABOVE)							
15	per kW	\$ 3.53	\$ 3.33	\$ 3.15	\$ 2.98	\$ 2.83	\$ 2.73
16	per kWh	\$0.00999	\$0.00943	\$0.00892	\$0.00845	\$0.00802	\$0.00774
Voltage Discounts							
17	Primary Voltage Discount	4.8%	5.1%	5.3%	5.6%	5.9%	6.2%
18	Transmission Voltage Discount	36.7%	38.9%	41.1%	43.4%	45.8%	47.4%
DA-GS11 (RALSTON PURINA)							
19	per kW	\$ 2.58	\$ 2.71	\$ 2.57	\$ 2.44	\$ 2.32	\$ 2.25
20	per kWh	\$0.00732	\$0.00767	\$0.00727	\$0.00691	\$0.00657	\$0.00635
DA-GS12 (BHP COPPER)							
21	Primary Voltage Delivery - per kW	\$ 2.35	\$ 2.30	\$ 2.16	\$ 2.07	\$ 1.99	\$ 1.93
22	per kWh	\$0.00665	\$0.00651	\$0.00611	\$0.00585	\$0.00561	\$0.00546
23	Transmission Voltage Delivery - per kW	\$ 1.22	\$ 1.17	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
24	per kWh	\$0.00346	\$0.00332	\$0.00292	\$0.00266	\$0.00242	\$0.00227
DA-GS13 (CYPRUS BAGDAD)							
25	per kW	\$ 1.05	\$ 1.21	\$ 1.03	\$ 0.94	\$ 0.85	\$ 0.80
26	per kWh	\$0.00297	\$0.00343	\$0.00292	\$0.00266	\$0.00242	\$0.00227

(a) Transmission voltage customers will not pay Distribution Charges after June 30, 2004

ARIZONA PUBLIC SERVICE COMPANY

Regulatory Asset Amortization Schedule
(Millions of Dollars)

1999	2000	2001	2002	2003	1/1 - 6/30 2004(1)	Total(2)
-----	-----	-----	-----	-----	-----	-----
164	158	145	115	86	18	686

(1) Amortization ends 6/30/2004

(2) Includes the disallowance from Section 3.3

**EXHIBIT E-1
MAP**

PAGE 1 OF 3

APS ELECTRICAL GENERATING SYSTEM

Pursuant to Regulation S-T, Rule 304 and 311, Exhibit I includes a map of the State of Arizona titled "APS Electrical Generating System" showing the name and geographic location of the generating facilities owned or leased by APS. This exhibit also includes a list of such generating facilities identifying the number and type of units at each such facility and the location (by county) of each such facility. The Yucca unit is located in Yuma county; the Douglas unit is located in Cochise county; the Saguaro unit is located in Pinal County; the Ocotillo, West Phoenix, Palo Verde, Glendale, and Scottsdale units are located in Maricopa county; the Cholla unit is located in the Navajo county; the Four Corners unit is located in San Juan county; the Navajo, and Coconino units are located in Coconino county.

APS ELECTRICAL GENERATING SYSTEM

	UNIT NAME -----	COUNTY -----	OWNERSHIP -----
1	YUCCA: Combustion Turbine 1 Combustion Turbine 2 Combustion Turbine 3 Combustion Turbine 4	YUMA	Arizona Public Service
2	DOUGLAS: Combustion Turbine 1	COCHISE	Arizona Public Service
3	SAGUARO: Steam Unit 1 Steam Unit 2 Combustion Turbine 1 Combustion Turbine 2	PINAL	Arizona Public Service
4	OCOTILLO: Steam Unit 1 Steam Unit 2 Combustion Turbine 1 Combustion Turbine 2 Solar 1 Solar 2	MARICOPA	Arizona Public Service
5	WEST PHOENIX: Steam Unit 4 Steam Unit 5 Steam Unit 6 Combustion Turbine 1 Combustion Turbine 2 Combined Cycle 1 Combined Cycle 2 Combined Cycle 3	MARICOPA	Arizona Public Service
6	CHOLLA: Coal Unit 1 Coal Unit 2 Coal Unit 3	NAVAJO	Arizona Public Service
7	FOUR CORNERS: Coal Unit 1 Coal Unit 2 Coal Unit 3 Coal Unit 4 Coal Unit 5	SAN JUAN	Arizona Public Service, Salt River Project, Tucson Electric Power Public Service New Mexico, Southern Cal Edison, El Paso Electric
8	NAVAJO: Coal Unit 1 Coal Unit 2 Coal Unit 3	COCONINO	Arizona Public Service, Salt River Project, Tucson Electric Power Nevada Power, Los Angeles Dept of Water and Power, US Government
9	PALO VERDE: Nuclear Unit 1 Nuclear Unit 2 Nuclear Unit 3	MARICOPA	Arizona Public Service, Salt River Project, Southern Cal Public Auth, Public Service New Mexico, Southern Cal Edison, El Paso Electric, Los Angeles Dept of Water and Power
10	COCONINO Solar 1	COCONINO	Arizona Public Service
11	GLENDALE Solar 1	MARICOPA	Arizona Public Service
12	SCOTTSDALE Solar 1	MARICOPA	Arizona Public Service

STATE OF ARIZONA)
) ss.
County of Maricopa)

I, Ellen Willhite, Manager, Generation Administration Support, of Arizona Public Service Company, do hereby certify that the foregoing Exhibit I contains an accurate depiction of the facilities that Arizona Public Service is transferring to Pinnacle West Energy Corporation.

Ellen Willhite
Ellen Willhite

SUBSCRIBED AND SWORN to before me this 24 day of July, 2000.

Twyla Hannah
Notary Public

My Commission expires:

[SEAL]

EXHIBIT H-1

PROPOSED FORM OF FEDERAL REGISTER NOTICE

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-_____)

Filings under the Public Utility Holding Company Act of 1935, as amended ("Act")

September __, 2000

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for the complete statements of the proposed transaction(s) summarized below. The application(s) and declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by September __, 2000, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be so notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After September __, 2000, the application(s) and/or declaration(s), as filed or amended, may be granted and/or permitted to become effective.

Pinnacle West Capital Corporation ("PNW"), 400 North Fifth Street, Phoenix, Arizona 85004, has filed an application-declaration pursuant to Sections 9(a)(2) and 10 of the Act, in which it requests approval to establish a new public-utility company subsidiary in connection with the proposed corporate reorganization ("Reorganization"), involving the relocation of certain generation assets from Arizona Public Service Company ("APS"), PNW's existing public-utility company subsidiary, to Pinnacle West Energy Corporation ("PWE"), another wholly-owned subsidiary of PNW. As a result of this Reorganization, PWE will become an "electric utility company" and a "public-utility company" within the meaning of the Act, and PNW will acquire an additional public-utility subsidiary. PNW will continue to meet the requirements for an intrastate exemption under Section 3(a)(1) of the Act and to file annual exemption statements on Form U-3A-2 pursuant to Rule 2 of the Commission's regulations.

The purpose of the reorganization is to comply with certain requirements set forth in rules adopted by the Arizona Corporation Commission ("ACC") that provide the framework for

introduction of retail electric competition in Arizona ("Competition Rules"), and in a final ACC order approving APS's settlement with various parties and the ACC with respect to implementation of the Competition Rules (the "Settlement"). Pursuant to the Competition Rules and Settlement, APS must move all of its generating assets and competitive services to PNW subsidiaries no later than December 31, 2002.

PNW was incorporated in 1985 under the laws of the State of Arizona. Through its subsidiaries, PNW is engaged in the generation, transmission, and distribution of electricity and the sale of energy services. Through subsidiaries, PNW is also involved in real estate development and in venture capital investment. PNW's principal subsidiaries are: APS, PWE, APS Energy Services Company, Inc., SunCor Development Company, and El Dorado Investment Company.

PNW's principal public-utility subsidiary is APS. APS, incorporated in 1920 under the laws of the State of Arizona, is a wholly-owned subsidiary of PNW. APS's principal executive offices are located at 400 North Fifth Street, Phoenix Arizona 85004. APS provides retail electric services principally in the State of Arizona and is actively engaged in the competitive wholesale electric markets. APS is subject to regulation by the ACC with respect to retail rates, accounting, service standards, service territory, issuances of securities, certification of generation and transmission projects and various other matters. APS currently owns generating facilities with a total accredited capacity of approximately 4,100 megawatts.

APS also owns and operates approximately 4,853 miles of transmission lines, of which all but 140 miles are located within the State of Arizona. APS's transmission was built primarily to bring generation from its power plants to its retail electric loads in Arizona. As of December 31, 1999, APS's distribution system served approximately 827,000 electric retail customers in its service territory within the State of Arizona. APS provides distribution services in 11 of Arizona's 15 counties, including the metropolitan Phoenix area. Pursuant to the Settlement approved by the ACC in 1999, retail rates have been set until July 1, 2004, subject to conditions or circumstances which constitute an emergency.

PWE, another wholly-owned subsidiary of PNW, was incorporated in 1999 under the laws of the State of Arizona. PWE was organized primarily to engage in the business of developing, owning, and operating generation plants used for the production and sale of wholesale energy. Currently, PWE is engaged in the development of approximately 2,600 megawatts of generating capacity in the State of Arizona; however, PWE is not currently an electric utility company or a public-utility company within the meaning of the Act. Upon completion of the Reorganization, PWE will own or lease the generation facilities currently owned or leased by APS and will assume APS's responsibilities as operator of the facilities.

When the Reorganization is complete, APS's existing structure, in which its electric utility operations are divided along functional lines, will be formalized and separate corporate entities will engage in the transmission/distribution of electricity and the generation of electricity. APS will continue to own and operate its existing electric transmission/distribution system, and PWE will own or lease and operate APS's existing generation assets, selling the output from these assets to PNW's

power marketing and trading division and to other wholesale entities. In addition, APS will serve as the provider of last resort to standard offer customers in APS's existing service territory.

The generation assets will be moved to PWE at book value. In addition, PWE will assume certain outstanding debt associated with the generating assets being moved. Specifically, PWE will assume APS's rights and obligations with respect to approximately \$180 million in pollution control bonds.

The principal purpose of the Reorganization is to assure compliance with the provisions of the Competition Rules and the Settlement and to provide PNW with increased financial, managerial, and organizational flexibility which will enable APS and PWE to compete more effectively in a restructured utility industry. It is stated that the Reorganization will lead to a clear, functional and corporate separation between PNW's generation business and its wires business, enabling each company to focus its resources on more clearly defined product markets and services. PNW also states that the Reorganization will have no adverse effect on APS's existing electric utility operations. The Reorganization will not result in any real change in the ultimate ownership of existing utility assets nor will it result in the transfer or acquisition of any additional utility assets beyond those currently held by APS or being developed by PWE.

PNW states that the proposed transaction will satisfy the requirements of Section 9(a)(2), as well as the relevant provisions of Section 10 of the Act. PNW will continue to claim an exemption pursuant to Section 3(a)(1) and Rule 2

thereunder.

End of Filing

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