FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 13, 2007

In Reply Refer To:
Arizona Public Service Company
Docket No. OA07-19-000

Pinnacle West Capital Corporation
400 North Fifth Street
Phoenix, AZ 85004-3992

Attention: Pauline Foley
Senior Attorney - Regulatory

Reference: Arizona Public Service Company - Order No. 890 Compliance Filing

Dear Ms. Foley:

1. On April 16, 2007, Arizona Public Service Company (APS) submitted its FPA section 205 compliance filing pursuant to Order No. 890.[1] The Commission accepts APS' filing in part, to become effective July 13, 2007, and rejects the filing in part, as discussed below.

2. In Order No. 890, the Commission reformed the *pro forma* Open Access Transmission Tariff (OATT) to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. Among other things, Order No. 890 amended the *pro forma* OATT to require greater consistency and transparency in the calculation of available transfer capability, open and coordinated planning of transmission systems and standardization of charges for generator and energy imbalance services. The Commission also revised various policies governing network resources, rollover rights and reassignments of transmission capacity.

---

[1] *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007).

3. The Commission established a series of compliance deadlines to implement the reforms adopted in Order No. 890. Transmission providers that have not been approved as independent system operators (ISOs) or regional transmission organizations (RTOs), and whose transmission facilities are not under the control of an ISO or RTO, were directed to submit FPA section 206 filings that conform the non-rate terms and conditions of their OATTs to those of the *pro forma* OATT, as reformed in Order No. 890, within 120 days from publication of Order No. 890 in the Federal Register, *i.e.*, July 13, 2007.[2]

4. The Commission recognized, however, that some of these non-ISO/RTO transmission providers may have provisions in their existing OATTs that the Commission previously deemed to be consistent with or superior to the terms and conditions of the Order No. 888[3] *pro forma* OATT, but which *pro forma* terms and conditions were modified by Order No. 890. The Commission provided an opportunity for such transmission providers to submit an FPA section 205 filing seeking a determination that a previously-approved variation from the Order No. 888 *pro forma* OATT substantively affected by the reforms adopted in Order No. 890 continues to be consistent with or superior to the revised *pro forma* OATT. The Commission directed applicants to make those filings within 30 days from publication of Order No. 890 in the Federal Register, *i.e.*, April 16, 2007, and to request that the proposed tariff provisions be made effective as of the date of the transmission provider's FPA section 206 compliance filing, described above, except for imbalance-related provisions, which may become effective on the first day of the billing cycle following that date. The Commission also requested that applicants state that the Commission has 90 days following the date of submission to act under section 205.

5. APS states that the Commission has previously approved a variation from the *pro forma* OATT for Schedule 4 in its OATT governing energy imbalance service. Specifically, APS replaced the use of incremental costs with a volumetric average of electricity prices published by Dow Jones at Palo Verde, Four Corners and Mead for firm

---

[2] The original 60-day compliance deadline provided for in Order No. 890 was extended by the Commission in a subsequent order. *See Preventing Undue Discrimination and Preference in Transmission Service*, 119 FERC ¶ 61,037 (2007).

[3] *Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

on-peak and off-peak prices. APS proposes to retain this previously-approved variation under the guidelines of Order No. 890.

6. APS also states that it proposes a new Schedule 10 – Generator Imbalance Service, to incorporate in its OATT the language of the generator imbalance schedule adopted in Order No. 890, modified to incorporate use of the Dow Jones index as a pricing proxy. APS states that it would be more administratively efficient for the Commission to address use of the Dow Jones index as a pricing proxy for generator imbalances in conjunction with review of the retention of the previously-approved variation for the pricing of energy imbalances.

7. Notice of APS' filing was published in the Federal Register, 72 Fed. Reg. 20,524 (April 18, 2007), with comments, protests or interventions due on or before May 7, 2007. Powerex Corporation (Powerex) filed a motion to intervene with comments. Powerex states that APS included modifications to its OATT that go beyond seeking to preserve previous Commission-approved deviations from the Order No. 888 *pro forma* OATT. Powerex states that these additional deviations should be filed after the section 206 compliance filings that are to be submitted by July 13, 2007. Powerex therefore concludes that these additional modifications have been prematurely filed and requests that the Commission defer acting on the deviations until such timely filings have been made. On May 22, 2007, APS filed an answer to Powerex's comments.

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a motion to intervene unless otherwise ordered by the decisional authority. We are not persuaded to accept APS' answer, and therefore, reject it.

9. The Commission accepts the previously-approved variations identified by APS in Schedule 4 of its OATT. In Order No. 890, the Commission granted transmission providers the opportunity to demonstrate that previously-approved variations from the *pro forma* OATT continue to be consistent with or superior to the *pro forma* OATT as modified in Order No. 890. We find that this variation remains consistent with the requirements of the *pro forma* OATT as modified in Order No. 890.

10. We reject APS' proposed generator imbalance schedule. In Order No. 890, the Commission provided that only previously-approved variations would be considered before July 13, 2007, the date by which transmission providers must submit compliance filings containing the non-rate terms and conditions of the *pro forma* OATT modified in Order No. 890. APS did not previously have a generator imbalance schedule on file and, thus, it had no previously-approved variations in that schedule to retain pursuant to the

FPA section 205 filing procedure. APS' proposed generator imbalance schedule is rejected without prejudice to re-filing pursuant to the implementation schedule set forth in Order No. 890.[4]

11. The Commission accepts the previously-approved variations from Schedule 4 of the *pro forma* OATT to become effective July 13, 2007. The revised tariff sheets related to generator imbalance pricing are rejected without prejudice to re-filing, as set forth above.

12. The Commission has considered only those previously-approved variations from the *pro forma* OATT that APS contends in its transmittal letter are consistent with or superior to the reforms adopted in Order No. 890. Acceptance of these proposed variations to the *pro forma* OATT tariff sheets does not relieve APS of the obligation to make a section 206 compliance filing for requirements of Order No. 890 not addressed in the instant filing as required by Order No. 890 on or before July 13, 2007.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

[4] In Order No. 890, the Commission provided that transmission providers should first submit FPA section 206 compliance filings conforming their OATTs to the *pro forma* OATT, as modified, except to the extent that the Commission accepts retention of a previously-approved variation. After the submission of their FPA section 206 compliance filings, transmission providers are allowed to request variations from those new provisions pursuant to FPA section 205. *See* Order No. 890 at P 135.