MEMORANDUM

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AZ CORP COMMISSION
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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: July 15, 2003

RE: STATUS REPORT OF STAFF'S TRACK B PROCESS AND PRUDENCY REVIEW
DOCKET NOS.: E-00000A-02-0051
E-01345A-01-0822
E-00000A-01-0630
E-01933A-02-0069

On March 14, 2003 in Decision No. 65743 ("Track B Decision"), the Commission required Utilities Division Staff ("Staff") to file a report by July 15, 2003, informing the Commission of its progress in its review of the Track B solicitation as described on page 27 of the Track B Staff Report. The reviews contemplated by the Track B Staff Report include an overall review of the solicitation process for effectiveness and efficiency and a review of Arizona Public Service Company's ("APS") and Tucson Electric Power Company's ("TEP") power supply portfolio and planning and procurement practices.

Pursuant to the Track B Decision, Staff provides the following status report. In its review of the Track B solicitation process, Staff is in process of reviewing the Independent Monitor's Report filed on June 13, 2003. In a letter dated June 27, 2003, the Arizona Competitive Power Alliance recommended that a workshop be held to evaluate the initial procurement process and procedures for short-term market purchases. Staff agrees that a workshop would be beneficial in the evaluation of the Track B process. Therefore, Staff plans to conduct a workshop to obtain feedback from parties regarding the process employed and evaluate changes to the process as appropriate. This workshop is tentatively expected to take place within the Fall 2003 timeframe.

In addition to the review of the solicitation process, Staff will also review power supply portfolio and planning and procurement practices for APS and TEP. Staff plans to conduct this review for APS in its general rate case proceeding (Docket No. E-01345A-03-0437) filed on June 27, 2003. Commission Decision No. 62103 orders TEP to file a general rate case on or before June 1, 2004. Staff plans to conduct TEPs review of its power supply portfolio and planning procurement practices within that rate proceeding.

EGJ:EAA:rdp

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