

ARIZONA ELECTRIC COOPERATIVES

CODE OF CONDUCT

INTRODUCTION

Pursuant to A.A.C.R14-2-1616A, each Affected Utility, including an electric cooperative, is required to establish a Code of Conduct. The cited rule states: "Each Affected Utility that is an electric cooperative that plans to offer Noncompetitive Services, and that is a member of any electric cooperative that plans to offer Competitive Services shall also submit a Code of Conduct to prevent anti-competitive activities". The Cooperatives propose this Code of Conduct to meet the requirements of the Rules.

DEFINITIONS

"Arizona Electric Cooperatives" or "Cooperatives" means the following organizations: Sierra Southwest Electric Power Services Cooperative, Inc. (Sierra) and the Member Distribution Cooperatives.

"Competitive Services" means those services described in A.A.C. R14-2-1601(7).

"Commission" means the Arizona Corporation Commission.

"Electric Competition Rules" or "Rules" means A.A.C. R14-2-1601 et seq., as set forth in Decision No. 61969 dated September 29, 1999.

"Distribution Services" means those services described in A.A.C. R14-2-1601 (14).

"Electric Service Provider" or "ESP" means a provider of Competitive Services as defined in A.A.C. R14-2-1601 (15).

"Member Distribution Cooperatives" mean Duncan Valley Electric Cooperative, Inc. (Duncan); Graham County Electric Cooperative, Inc. (Graham), Mohave Electric Cooperative, Inc. (Mohave), Sulphur Springs Valley Electric Cooperative, Inc., (Sulphur), and Trico Electric Cooperative, Inc. (Trico).

"Noncompetitive Services" means those services described in A.A.C. R14-2-1601(29).

CODE OF CONDUCT PROVISIONS

A. General

1. All employees and authorized agents of the Cooperatives shall conduct their activities in compliance with the requirements of this Code of Conduct.
2. Failure to conduct activities in compliance with this Code of Conduct will subject the employee or agent to disciplinary or other actions in accordance with the policies of the individual Cooperative.
3. Copies of the Code of Conduct and associated policies and procedures shall be provided to employees and authorized agents of the Cooperatives.
4. Training on the provisions of the Code of Conduct and its implementation shall be provided to the employees of the Member Distribution Cooperatives and authorized agents likely to be engaged in activities subject to the Code of Conduct.

B. Financial Matters

1. Financial Separation – Should a Member Distribution Cooperative elect to offer Competitive Services outside its distribution service territory, such services shall be provided only through a separate corporate affiliate in accordance with the Rules. The Member Distribution Cooperative and its affiliate shall keep separate books, records and accounts. The Member Distribution Cooperative shall not subsidize Competitive Services through rates and charges for Non-Competitive Services.

2. Accounting for Costs – Member Distribution Cooperatives and Sierra are separate corporate entities and each shall keep and maintain separate books, records and accounts. All books, records and accounts shall be maintained in accordance with the RUS Uniform System of Accounts and accounting standards.
3. Cost Allocation – In all transactions between a Member Distribution Cooperative and Sierra, each shall develop and follow a cost allocation methodology to account for and bill transactions between them based on the following:
 - a. To the extent practicable, costs will be collected and classified on a direct cost basis for each service or product provided.
 - b. Indirect costs will be charged on a fully allocated basis as a cost for employee and management services or for any other services.
 - c. All direct and indirect costs for services and products will be traceable on the accounting records by account prescribed by the RUS Uniform System of Accounts.
 - d. Cost allocations shall include, without limitation, all purchased materials and services.

C. Separation Requirements

1. Each Member Distribution Cooperative shall maintain its offices in a location geographically separate from Sierra's sales offices, telephones and personnel.
2. Any telecommunications, computer and information systems shared by a Member Distribution Cooperative, Sierra or a competitive affiliate shall be operated with appropriate security devices and procedures to protect against any disclosure of information in a manner inconsistent with this Code of Conduct.

D. Use of Confidential Customer Information

1. A Cooperative shall not provide confidential customer information obtained in the provision of Noncompetitive Services to any third party without the customer's written authorization. Such information may be provided only to the extent specifically authorized.
2. A Cooperative shall inform any third party seeking such confidential customer information that the information may be released only after the Cooperative receives the customer's written authorization.
3. A Member Distribution Cooperative, shall provide, with the customer's written authorization, confidential customer information obtained in the provision of Non-Competitive Services to an ESP in the same manner and form as it would provide such information to Sierra.

E. Joint Employment

1. Each Cooperative is a separate corporate entity and shall maintain its own staff.
2. Should a Member Distribution Cooperative elect to provide Competitive Services outside its distribution service territory through a competitive affiliate, such competitive affiliate shall provide and employ its own staff.
3. Member Distribution Cooperatives, Sierra and any separate competitive affiliate may jointly employ officers and directors in accordance with applicable bylaw provisions. Joint officers and directors, however, shall not provide customer information obtained from a Cooperative supplying Noncompetitive Services to any Cooperative supplying Competitive Services without the customer's consent.

F. Non-Preferential Treatment

1. A Member Distribution Cooperative that enters into a joint marketing agreement with Sierra or participates in the formation of a competitive corporate affiliate shall, together with Sierra or such corporate affiliate, comply with this Code of Conduct.
2. Member Distribution Cooperatives shall apply tariffs in the same manner to similarly situated persons. If a tariff provision allows for discretion in its application, the Member Distribution Cooperative shall apply that provision in a non-discriminatory manner.
3. A Member Distribution Cooperative shall process similar requests for Noncompetitive Services and for Competitive Services, if applicable, in the same manner and according to the order in which received.
4. A Member Distribution Cooperative shall provide information concerning its Distribution Services (including information about available distribution capability, distribution access and curtailments) to ESPs, Sierra and any Competitive Service affiliate on a non-discriminatory basis.

G. Prohibition on Suggestion of Utility Advantage

1. Member Distribution Cooperatives shall not state in any advertising, promotional materials or sales efforts that a consumer who purchases Standard Offer Service or other Non-Competitive Service from the Member Distribution Cooperative will receive any better service from the Member Distribution Cooperative as a result of purchasing Competitive Services from Sierra or any competitive affiliate.
2. A Member Distribution Cooperative shall not require that a consumer purchase any Competitive Service from the Member Distribution Cooperative or Sierra as a condition to providing Noncompetitive Services.

H. Joint Advertising, Marketing, and Sales

1. Pursuant to A.R.S. §§ 10-2057.A.4, 10-2127.A.5 and 10-2138 a Member Distribution Cooperative and Sierra may engage in joint advertising, joint marketing and joint sales activities.
2. Joint Advertising, Joint Marketing, and Joint Sales activities may be performed only in accordance with a written Joint Marketing Plan entered into between a Member Distribution Cooperative and Sierra.
3. Any joint advertising, joint marketing and joint sales activities shall be conducted in conformance with this Code of Conduct.

I. Code of Conduct Violations – If filed with the Commission, complaints concerning alleged violations of the Code of Conduct shall be processed under the procedures established in A.A.C.R14-2-212.