

NEW WEST ENERGY CODE OF CONDUCT

I. Definitions

The following terms in the Code of Conduct shall have the following meanings:

“**NWE**” shall mean New West Energy Corporation as it currently exists, as its name may be changed, or as any successor enterprise.

“**SRP**” shall mean Salt River Project as it currently exists, as its name may be changed, or as any successor enterprise.

“**SRP NC**” shall mean the divisions and personnel of SRP which do not provide Competitive Services.

“**Bill**” shall mean the billing invoice for noncompetitive services.

“**Competitive Services**” shall mean those services described in A.A.C. R14-2-1601(7).

“**Confidential Customer Information**” shall mean any customer-specific information obtained by SRP NC as a result of SRP NC providing noncompetitive services. Confidential Customer Information also includes non public customer-specific information obtained by SRP NC from customers of special districts and public power entities on behalf of such special districts and public power entities.

“**Confidential Information**” means Confidential Customer Information as that term is defined in this Code of Conduct and any other information obtained through the provision of Noncompetitive Services that would provide a competitive advantage to NWE.

“**Distribution Service**” shall mean those services described in A.A.C. R14-2-1601(14).

“**Electric Competition Rules**” shall mean A.A.C. R14-2-1601 to -1617 as attached to this Code of Conduct, including all future amendments and modifications.

“**Noncompetitive Services**” shall mean those services described in A.A.C. R14-2-1601(29).

“**Policies and Procedures**” or “**P&P**” shall mean those policies and procedures developed by NWE to implement this Code of Conduct.

“**Same Terms**” shall mean that SRP, as required by its Code of Conduct, shall provide noncompetitive services to NWE and Third Parties on the same terms and conditions.

“**Third Party**” shall mean any electric service provider that does not fall within the definition of “NWE”.

II. Applicability of Code of Conduct

The following rules shall apply to the Conduct of NWE. All employees and authorized agents of NWE shall conduct their activities in compliance with the requirements of this Code of Conduct.

III. Incorporation of SRP's Code of Conduct

The Code of Conduct adopted by SRP, as it may be amended from time to time by the SRP Board of Directors, is hereby incorporated into NWE's Code of Conduct. To the **extent** that provisions of the incorporated SRP Code of Conduct are in conflict with the terms of this Code of Conduct, the terms of this Code of Conduct shall govern the conduct of NWE.

IV. Use of Confidential Customer Information

- A. NWE shall not provide Confidential Customer Information to any Third Party without the customer's written authorization. Such information may be provided only to the extent specifically authorized.
- B. NWE shall inform any Third Party seeking Confidential Customer Information that such information shall be released only after NWE receives the customer's written authorization.

V. Use of the Bill and Promotions within the Bill Envelope

- A. NWE shall not use SRP NC's billing services unless SRP NC makes its billing services available to Third Parties upon the same terms.
- B. This provision shall not prevent NWE or any Third Party from including amounts due for noncompetitive services in its own consolidated billing statement, as long as the customer receiving such consolidated billing statement has authorized NWE or a Third Party, as applicable, to act as its agent for such purpose.

VI. Customer Telephone Calls

Telephone numbers and websites used by NWE shall be different from those used for SRP NC. NWE shall not use the call center of SRP NC.

VII. Prohibition on Suggestion of Utility Advantage

NWE shall not state in any advertising, promotional materials, or sales efforts that a consumer who purchases services from NWE will receive preferential treatment in the provision by SRP NC of Noncompetitive Services or that any other advantage regarding the provision by SRP NC of Noncompetitive Services will accrue to that customer.

VIII. Accounting for Costs

- A. NWE shall ensure that its competitive services are not cross subsidized by SRP NC.
- B. All transactions between NWE and SRP NC shall be accounted for in accordance with NWE's Policies and Procedures (P&P), which shall be developed to describe the cost allocation of all transactions pertaining to NWE and SRP NC in a manner that ensures that there is no subsidization of NWE by SRP NC. Any material violation of the P&P which would constitute engagement in unlawful anticompetitive behavior shall constitute a violation of this Code of Conduct.
- C. The initial P&P shall be submitted to the Commission for review and approval. If no action is taken by the Commission or its designee within 60 days of the filing, the P&P shall be deemed approved. Beginning one year from the date of approval of the P&P, NWE shall notify the Commission by filing annual updates to the P&P, including any and all Commission approved modifications as specified in subsection D, to allocation methods and changes in direct and indirect allocators used in the P&P. If no action is taken by the Commission or its designee within 30 days of its filing, the modification shall be deemed approved.
- D. NWE may not make or implement any material change to the P&P without seeking the prior approval of the Commission or its designee. Once notification is made by NWE of an intended modification, if no action is taken by the Commission or its designee within 30 days of its filing, the modification shall be deemed approved.

IX. Reporting Requirements

NWE shall submit the following to the Commission on at least an annual basis:

- A. A report detailing all allocation methods used in the P&P and all modifications to these allocation methods.
- B. A report detailing all of the direct and indirect allocators used in the P&P and all modifications to these allocators, such that a history of allocator evolution may be maintained.
- C. A report detailing confidential customer information that was obtained by NWE from SRP NC. Such a report shall include the type of information and the date of customer consent. It shall also specify whether the information was obtained from a Direct Access Service Request or another source. If the information was not obtained through a Direct Access Service Request, NWE shall name the source of the information transfer.

- D. A report detailing the costs allocated to NWE from SRP NC and the basis for the cost allocation.
- E. A copy of the annual external audit provided to SRP as referenced in Subsection 6 of the “Directive to Management” Section of SRP’s Code.

X. Separation Requirements

- A. NWE and SRP shall keep separate books and records. NWE shall keep accounting records that set forth appropriate cost allocations between SRP NC and NWE. All NWE records shall be kept in accordance Generally Accepted Accounting Principles. As a precondition to transacting any business with SRP NC, books and records of NWE must be made available for inspection by the Arizona Corporation Commission to the extent reasonably necessary to determine compliance with this Code of Conduct.
- B. NWE and SRP shall not jointly employ the same employees; provided, however, that NWE and SRP may have common officers and directors (which shall include the SRP General Manager and direct executive reports to the General Manager) for corporate support, oversight, and governance, but SRP officers directly responsible for Noncompetitive operational matters shall not serve as officers or directors of NWE. Common officers and directors shall not utilize Confidential Information obtained through the provision of Noncompetitive Services to provide a competitive advantage to NWE. Contracts for services accounted for in conformance with Section XI shall not constitute prohibited joint employment if measures are taken to prevent the transfer of Confidential Information between SRP and NWE.

XI. Transfers of Goods and Services

- A. NWE shall purchase tariffed goods and services from SRP at the rates and under the terms and conditions set forth in the tariff.
- B. If NWE buys from SRP NC nontariffed goods and services that were developed by SRP NC for sale in the market, the transfer price shall be the fair market value.
- C. All other transfers of nontariffed goods and services from SRP NC to NWE shall be at the higher of fully allocated cost or fair market value.
- D. If NWE sells any goods and services to SRP NC that were developed for sale by NWE in the market, the transfer price shall be the fair market value.
- E. All other transfers of goods and services from NWE to SRP NC shall be at the lower of fully allocated cost or fair market value.

XII. Transfers of Assets

- A. Transfers of assets from SRP NC to NWE or contracts for NWE's use of SRP NC's assets, shall be at the higher of book value or fair market value.
- B. Transfers of assets from NWE to SRP NC or contracts for SRP NC's use of NWE's assets shall be at the lower of book value or fair market value.

XIII. Joint Marketing

- A. The name or logo of SRP shall not be used in promotional advertising materials circulated by NWE. Nothing in this section shall prohibit NWE from providing factual information regarding the corporate structure and corporate functions of its parent company.
- B. NWE and SRP NC shall not jointly market their respective services.

XIV. Procedure for Modification of the Code of Conduct

NWE or any other interested party, including Commission Staff, may request modifications to its Code of Conduct by filing an application with the Commission. The application shall set forth the proposed modifications and the reasons supporting them.

XV. Dispute Resolution

To the extent permitted by law, complaints concerning violations of this Code of Conduct shall be processed under the procedures established in R14-2-2 12.