



NEWS RELEASE

October 4, 2001

Media Contacts: Alan Lee Bunnell, (602) 250-3376

Page 1 of 1

Website: www.aps.com

**APS AND OTHER WESTERN UTILITIES TO DEVELOP
FOR-PROFIT REGIONAL TRANSMISSION ORGANIZATION**

Arizona Public Service Co. (APS) and other southwestern transmission owners have agreed to develop a new, for-profit Regional Transmission Organization (RTO) designed to serve the western United States.

The RTO, to be known as WestConnect, will be governed by a for-profit board and will be based on policies and procedures developed over the last four years for DesertSTAR, its predecessor. DesertSTAR was a proposed non-profit RTO originally intended to coordinate wholesale generation and transmission transactions among southwestern utilities.

“The group has decided that a for-profit governance structure is in the best interest of the utilities,” said APS President Jack Davis. “While based on the not-for-profit model of its predecessor, the new RTO will create a governance structure that motivates innovation and creativity in the operation of the western transmission grid.”

As proposed, WestConnect will be responsible for security, reservations, scheduling, transmission expansion planning and congestion management for the regional transmission system. Additionally, the new board structure will focus on ensuring reliability, nondiscriminatory open-access, a robust wholesale market, and independent governance.

Six southwestern utilities have signed an initial “Memorandum of Understanding” to ensure the timely formation and initial operation of the RTO, as well as filing of all necessary documents with the Federal Energy Regulatory Commission. These utilities include: APS, Salt River Project, El Paso Electric Company, Public Service Company of New Mexico, Tucson Electric Power Company and Texas-New Mexico Power Company.

The utilities are developing a governance structure that will embrace new entrants to WestConnect and allow formation of a single western RTO, as envisioned by FERC. Toward that end, WestConnect is working with members of other regional RTOs in the West and Pacific Northwest to expand the WestConnect service area. WestConnect intends to file its complete governance package and tariff schedules with FERC later this month.

APS, Arizona’s largest and longest-serving electric utility, serves more than 857,000 customers in 11 of the state’s 15 counties. With headquarters in Phoenix, APS is the largest subsidiary of Pinnacle West Capital Corporation (NYSE: PNW).