

## Potential APS Participation in the Devers II Transmission Project

APS sees potential benefits to its customers in the future if the following provisions are included in the Devers II Transmission Project:

- APS would participate in the transmission study work, transmission planning, and contractual negotiations of the Devers II transmission project
- APS would maintain a future option to “buy in” to the Devers II transmission project
  - Option would be in West to East direction only
  - Cost of executing option would be original cost minus depreciation of the portion of the project utilized (including unidirectional use) at the time the option is exercised
  - Option is only applicable to the Devers II transmission project on the Arizona side of the border between the border and Harquahala Junction
  - Option would include ability to buy-in to the proposed Harcuvar alteration of the Devers II project (substation only)
  - New substations required by executing this option would be paid for and built by the requesting party (APS)
- APS would be the Control Area Operator/Balancing Authority for the portion of the line east of the furthest western interconnection to the Devers II transmission line in Arizona as determined by future interconnections (APS would control the line from the westernmost substation located on the Devers II line within Arizona – and control point could change in the future)
- CAISO/SCE would continue to control the use of SCE ownership rights of the transmission path from the Harquahala Junction Substation west (except as dictated by other contractual arrangements with CAP/others)

These provisions, if agreed to in their entirety, would provide a benefit to APS and Arizona customers as a potential transmission path to bring Arizona resources in to the central Arizona load region. The provisions above are meant to provide a reasonable way for the Devers II transmission line to be used by both Arizona and California entities.

They would:

- Enable resources located in Arizona between Harquahala Junction and the Arizona California state line to be sold either west or east along the Devers II line with only a single transmission rate (CAISO to the west and APS to the east)
- Allows APS to acquire transmission rights from west of the valley to the Phoenix area at a lower cost than they would on their own
- Allows SCE to lower the cost of the Devers II transmission project without giving up any rights in the western direction