



BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF  
SCHLUMBERGER RESOURCE MANAGEMENT  
SERVICES, INC. FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE  
COMPETITIVE RETAIL ELECTRIC SERVICES  
AS AN ELECTRIC SERVICE PROVIDER  
PURSUANT TO A.A.C. R14-2-1601 *ET SEQ.*

DOCKET NO. E-03704A-99-0067

DECISION NO. 61869

OPINION AND ORDER

DATE OF HEARING: June 24, 1999  
PLACE OF HEARING: Phoenix, Arizona  
PRESIDING OFFICER: Teena Wolfe  
APPEARANCES: Mr. Richard L. Sallquist, SALLQUIST & DRUMMOND, PC, on behalf of Applicant Schlumberger Resource Management Services, Inc.;  
Mr. Jeffrey B. Guldner, SNELL & WILMER, LLP, on behalf of Arizona Public Service Company;  
Ms. Janice M. Alward, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On February 12, 1999, Schlumberger Resource Management Services, Inc. ("RMS" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate Of Convenience And Necessity ("CC&N" or "Certificate") to provide competitive retail electric services as a Meter Service Provider ("MSP") and Meter Reading Service Provider ("MRSP") in Arizona ("Application"). In its Application, RMS proposes to provide MSP and MRSP services in all areas in the State of Arizona which the Commission has designated as open to retail electric competition.

On April 28, 1999, the Commission's Utilities Division Staff ("Staff") filed its Staff Report in this matter, recommending approval of the Application following a hearing.

By Procedural Order dated May 3, 1999, all the Affected Utilities as defined by the Retail

1 Electric Competition Rules<sup>1</sup> were joined as parties in this matter with the opportunity to respond to  
 2 RMS' Application, and were given notice that if the Application is granted, the Certificates of  
 3 Affected Utilities would have to be rescinded, altered, or amended pursuant to A.R.S. §40-252.  
 4 Those parties so joined and noticed include Tucson Electric Power Company, Arizona Public Service  
 5 Company, Citizens Utilities Company, Arizona Electric Power Cooperative, Trico Electric  
 6 Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave  
 7 Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative,  
 8 Ajo Improvement Company, and Morenci Water and Electric Company, and are referred to  
 9 collectively herein as "Affected Utilities."

10 Other parties who requested and were granted intervention in this matter include Cyprus  
 11 Climax Metals Company ("Cyprus"), ASARCO Incorporated ("ASARCO"), and Enron Corp.  
 12 ("Enron").

13 This matter came before a duly authorized Hearing Officer of the Commission at the  
 14 Commission's offices in Phoenix, Arizona on June 24, 1999. Applicant and Staff presented evidence  
 15 at the hearing. At the conclusion of the hearing, the matter was taken under advisement per  
 16 submission of a Recommended Opinion and Order to the Commission.

17 \* \* \* \* \*

18 Having considered the entire record herein and being fully advised in the premises, the  
 19 Commission finds, concludes, and orders that:

20 **FINDINGS OF FACT**

21 1. On February 12, 1999, RMS filed its Application requesting certification as an  
 22 Electric Service Provider ("ESP") with authority to provide competitive retail electric service as an  
 23 MSP and an MRSP in all areas of the State of Arizona which the Commission has designated as open  
 24 to retail electric competition.

25 2. RMS is a wholly-owned subsidiary of Schlumberger Technology Corporation

26 <sup>1</sup> A.A.C. R14-2-1601 *et seq.*, which were stayed on the date the May 3, 1999 Procedural Order was issued. Decision No.  
 27 61311 (January 11, 1999) stayed the effectiveness of the Retail Electric Competition Rules. Pursuant to Decision 61634  
 28 (April 23, 1999), Staff has forwarded new Proposed Retail Electric Competition Rules ("Proposed Rules") to the  
 of the Secretary of State for Notice of Proposed Rulemaking. Sections 1601 of both the stayed Rules and the Pr  
 Rules define the same entities as "Affected Utilities."

1 ("Schlumberger"). Schlumberger is an international company whose stock is traded on the New  
2 York Stock Exchange, and on the Paris, London, Amsterdam and Swiss stock exchanges. RMS was  
3 formed in June 1997 with the merging of Schlumberger Electricity & Gas Services with its Water &  
4 Heat Divisions.

5 3. On March 18, 1999, RMS filed an amendment to the Application.

6 4. On April 28, 1999, Staff filed its Staff Report in this matter, recommending that RMS  
7 be granted a CC&N as an ESP with authority to provide competitive retail MSP and MRSP services  
8 statewide, with the exception of those areas designated as closed to competition until the Commission  
9 has determined otherwise.

10 5. By Procedural Order dated May 3, 1999, the Affected Utilities were joined as parties  
11 in this matter with the opportunity to respond to the Application, and were given notice that if the  
12 Application is granted, the CC&Ns of the Affected Utilities would be rescinded, altered, or amended  
13 pursuant to A.R.S. § 40-252.

14 6. Other parties who requested and were granted intervention in this matter include  
15 Cyprus, ASARCO, and Enron.

16 7. RMS caused notice of the hearing in this matter to be published in the Tucson Citizen  
17 and in the Arizona Republic on May 14, 1999.

18 8. On June 24, 1999, a public hearing was held as scheduled, at which George C. Roberts  
19 for RMS and Kevin Mosier for Staff presented evidence.

20 9. On July 2, 1999, Staff filed as a late-filed exhibit its testimony concerning the  
21 certificate of liability insurance submitted by RMS in this proceeding.

22 10. On July 7, 1999, RMS filed as a late-filed exhibit a copy of its 1998 annual report.

23 11. At the hearing, the parties stipulated to incorporate into the record in this proceeding  
24 the testimony and cross-examination of Mr. Williamson and Mr. Shand of Commission Staff in the  
25 proceedings on the application of PG&E Energy Services Corporation for a Certificate of  
26 Convenience and Necessity to Supply Competitive Services as an Electric Service Provider, Docket  
27 No. E-0359A-98-0389.

28 12. RMS is a registered Meter Data Management Agent ("MDMA") in California.

1           13.    As a California MDMA, RMS has demonstrated technical capabilities to calculate  
2 power usage from meter reads; to validate, estimate and edit that usage; to post the usage in  
3 approved format to a server; and to provide access to that server to authorized participants for  
4 retrieval of the data.

5           14.    Schlumberger's 1998 financial statements indicate assets of \$16 billion, liabilities of  
6 \$7.9 billion and income retained for use in the business of \$8.8 billion.

7           15.    RMS has more than 70 facilities worldwide with over 20,000 employees, and has  
8 annual sales of more than \$2 billion.

9           16.    Staff indicated its belief that RMS has sufficient financial resources to make the  
10 capital acquisitions and to weather operating losses it may incur associated with entry into Arizona's  
11 retail electric competition market.

12           17.    The Application proposed maximum tariff rates of \$150 per hour for the following  
13 MSP services: Meter Installation, Programming, Testing, and Meter Maintenance Services. At the  
14 hearing, Mr. Roberts clarified that RMS plans to provide these services pursuant to contract between  
15 RMS and Commission-approved ESPs.

16           18.    The Application proposed the following maximum tariff rates for the following MRSP  
17 services: \$150 per hour for Meter Reading and Data Collection MRSP services, and \$30.00 per  
18 meter per month for remote meter MRSP services. At the hearing, Mr. Roberts clarified that RMS  
19 plans to provide these services pursuant to contract between RMS and certificated ESPs.

20           19.    RMS' tariff requires modification to clarify that the proposed services will be  
21 provided pursuant to contract between RMS and certificated ESPs. After such modification, RMS'  
22 tariff will be acceptable and its format will be consistent with competitive tariffs previously approved  
23 by the Commission.

24           20.    At the hearing, Staff recommended that the Application be approved subject to the  
25 following conditions:

- 26                   (a) Until the Commission-approved stay of the Retail Electric Competition Rules  
27                   is lifted, RMS shall not provide competitive retail electric services in the  
28                   service areas of Affected Utilities under Commission jurisdiction; but RMS  
                 shall be eligible to provide competitive retail electric services in areas opened

1 to competition by HB2663;

2 (b) Prior to provision of any other Competitive Service not approved at this time,  
3 RMS shall apply to the Commission for approval;

4 (c) Prior to provision of any Competitive Service, RMS shall comply with any  
5 Commission rule pertaining to MSPs and MRSPs and all other Commission  
6 rules applicable to meter servicing;

7 (d) Prior to provision of any Competitive Service to end-use retail customers  
8 pursuant to a new tariff filing, RMS must acquire initial insurance coverage in  
9 the amount of \$25,000 to protect end-use retail customers in the event of  
10 RMS' default or nonperformance. The insurance coverage amount shall be  
11 adjusted in the future on the basis of the number of end-use retail customers;

12 (e) Prior to provision of any Competitive Service, RMS shall acquire all relevant  
13 tax licenses from lawful taxing authorities within the State of Arizona where it  
14 intends to do business;

15 (f) Prior to provision of MRSP services, RMS must execute a service agreement  
16 with each respective Load-Serving ESP to which it provides service, and  
17 submit that service agreement to the Director, Utilities Division for approval;

18 (g) Prior to providing any billing and collection service to customers in service  
19 areas regulated by the Commission, RMS shall file a tariff setting forth a  
20 maximum price for billing and collection service for written approval by the  
21 Director, Utilities Division.

22 21. In the Staff Report, Staff also recommended that prior to provision of any Competitive  
23 Service, RMS shall provide to the Director, Utilities Division evidence that it has obtained UDC  
24 approval to operate in its service territory, and that this operational approval must be obtained for  
25 each UDC service territory in which RMS intends to provide service. At the hearing, Staff  
26 recommended that the UDC approval take the form of a letter from the UDC(s) to RMS that contains  
27 the following items:  
28

(a) RMS has successfully passed a server testing and data validating, editing and  
estimation test;

(b) RMS can only perform its services in the UDC's service territory on behalf of  
a Load-Serving ESP that has executed an ESP Service Acquisition Agreement  
with the UDC;

(c) RMS is authorized by the UDC to provide services in its territory under the  
terms of the UDC's Service Acquisition Agreement with the Load-Serving  
ESP;

1 (d) The authorization is subject to RMS' continued performance under the terms  
2 of applicable rules and regulations and is in accordance with the terms and  
3 conditions set forth in the ESP's approved tariffs; and

4 (e) It is the obligation of RMS to notify the Load-Serving ESP and the UDC of  
5 material changes to its capability or technology, including technological  
6 enhancements to system hardware or software, so that the Load-Serving ESP  
7 and the UDC may determine whether additional testing by the UDC is  
8 required.

9 22. Staff's recommendations in Findings of Fact Nos. 20 and 21 above are reasonable and  
10 necessary.

11 23. Staff further recommended that prior to provision of any MSP Competitive Service,  
12 RMS must provide proof of liability insurance in the amount of \$2,000,000 per incident to the  
13 Director, Utilities Division.

14 24. Staff's recommendation in Findings of Fact No. 23 is reasonable and necessary.

15 25. RMS has submitted proof of liability insurance as recommended by Staff.

16 26. RMS possesses the requisite technical and financial capability to provide competitive  
17 MSP and MRSP services within the State of Arizona.

#### 18 CONCLUSIONS OF LAW

19 1. RMS is a public service corporation within the meaning of Article XV of the Arizona  
20 Constitution.

21 2. The Commission has jurisdiction over RMS and the subject matter of the Application.

22 3. Notice of the hearing was given in accordance with law.

23 4. The Arizona Legislature's enactment of House Bill 2663 and the Commission's  
24 issuance of Decision Nos. 59943, 60977, 61017, and 61634 have made it clear that competition in the  
25 provision of retail electric services is the public policy of Arizona.

26 5. RMS should receive a CC&N as an ESP authorized to provide MSP and MRSP  
27 services.

28 6. RMS' CC&N should be subject to the conditions recommended by Staff in Findings  
of Fact Nos. 20 and 21 above.

7. RMS should be required to maintain liability insurance as recommended by Sta

1 Findings of Fact No. 23 above.

2 8. RMS should file a revised tariff that specifies that the proposed services are to be  
3 provided pursuant to contract between RMS and certificated ESPs.

4 9. RMS should file documents to be approved by the Director, Utilities Division, that  
5 clarify the extent of the financial commitment RMS has received from Schlumberger.

6 10. Rates and terms and conditions of service adopted herein are fair, reasonable and  
7 consistent with the Proposed Rules and with the underlying policies of the Arizona Constitution.

8 11. The Affected Utilities received notice of the possibility of rescission, alteration or  
9 amendment of their existing CC&Ns should RMS receive a CC&N to supply competitive MSP and  
10 MRSP services as an ESP within the service territories of the Affected Utilities.

11 12. The Affected Utilities had an opportunity to be heard on the possibility of rescission,  
12 alteration or amendment of their existing CC&Ns.

13 13. Issuance of a CC&N requires the Certificate holder to make an adequate investment  
14 and to render competent and adequate service.

15 14. There was no evidence presented in this proceeding indicating that any of the Affected  
16 Utilities had failed to render adequate service or had charged unreasonable rates.

17 15. Granting RMS' Application for a CC&N to supply competitive MRSP services as an  
18 ESP within the service territories of the Affected Utilities is in the public interest, because it will  
19 provide a reasonable opportunity for the potential benefits of competition to develop in the State of  
20 Arizona.

21 16. It is not in the public interest to rescind, alter or amend the CC&N of any Affected  
22 Utility prior to final resolution of the Stranded Cost issues for that Affected Utility.

23 **ORDER**

24 IT IS THEREFORE ORDERED that the application of Schlumberger Resource Management  
25 Services, Inc. for an Electric Service Provider Certificate of Convenience and Necessity is hereby  
26 granted, and that Schlumberger Resource Management Services, Inc. is thereby authorized to supply  
27 competitive Meter Service Provider and Meter Reading Service Provider services in all areas of the  
28 State of Arizona which are opened to retail electric competition, subject to the conditions

1 recommended by Staff in Findings of Fact Nos. 20 and 21 above, and conditioned upon its  
2 maintaining in effect liability insurance as recommended by Staff in Findings of Fact No. 23 above

3 IT IS FURTHER ORDERED that Schlumberger Resource Management Services, Inc. shall  
4 file a revised tariff that specifies that the proposed services are to be provided pursuant to contract  
5 between Schlumberger Resource Management Services, Inc. and Commission-certificated Electric  
6 Service Providers.

7 ✓ IT IS FURTHER ORDERED that Schlumberger Resource Management Services, Inc. shall  
8 file documents to be approved by the Director, Utilities Division, that clarify the extent of the  
9 financial commitment Schlumberger Resource Management Services, Inc. has received from  
10 Schlumberger.

11 IT IS FURTHER ORDERED that Schlumberger Resource Management Services, Inc. shall  
12 not be authorized to provide Competitive Services in any certificated area of any Affected Utility  
13 until the Certificate of Convenience and Necessity of the respective Affected Utility has been  
14 amended.

15 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

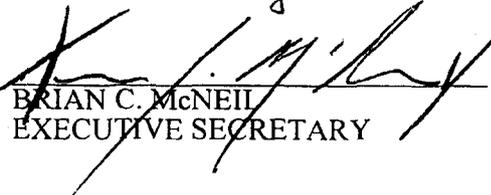
16 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

17   
18 CHAIRMAN

  
19 COMMISSIONER

COMMISSIONER

21 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
22 Secretary of the Arizona Corporation Commission, have  
23 hereunto set my hand and caused the official seal of the  
24 Commission to be affixed at the Capitol, in the City of Phoenix,  
25 this 5<sup>th</sup> day of August, 1999.

  
26 BRIAN C. McNEIL  
EXECUTIVE SECRETARY

27 DISSENT \_\_\_\_\_  
28 TIW:dap

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