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ARIZONA CORP. COMM.
TUCSON, AZ.

ARIZONA CORPORATION COMMISSION
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Request for Comments)
on)
Electric Industry Restructuring)

94
Docket No. U-0000-~~95~~-165

COMMENTS

OF

TRICO ELECTRIC COOPERATIVE, INC.

Arizona Corporation Commission
DOCKETED
JUL 02 1996
DOCKETED BY *[Signature]*

June 28, 1996

I. INTRODUCTION

Trico Electric Cooperative's Members are one of the many stakeholders affected should major changes occur in the electric industry. While some of the stakeholders will benefit from changes, it is Trico's belief that a majority of our Members may suffer from these changes. While it may sound premature to state in an introduction that we believe restructuring of the utility industry will have a negative affect on the majority of our Members, it is well understood that the potential exists for significant stranded investment and that larger users of electric energy will be better positioned to take advantage of a non-regulated environment. That will leave the burden of stranded investment on the smaller users and investors. Most of our Cooperative Members are small users and in the Cooperative structure, they are all investors. But our Cooperative is also appreciative of, and supports the Commission's process of gathering complete information, studying the implications thoroughly and moving in a cautious and constructive manner to reach a conclusion. In that we have some optimism that our Members will receive fair treatment.

II. MOVING FROM A REGULATED TO NON-REGULATED ENVIRONMENT

While most business entities in a competitive environment face the risk of losses or failures, they were formed and operate under a non-regulated environment where they chose that risk. In the case of electric utilities, over the past several decades that has not been the case. Electric utilities have operated under a regulated environment and have accepted both the positives and negatives of such. The positives are well understood and established, but the negatives seem to be forgotten in the discussions as to why it is in the best interest of society to deregulate the electric industry.

The negatives of the regulated environment is the requirement of the electric utility industry to meet the needs of its service area no matter what the cost to meet that need. This forced utilities to build facilities in times such as the early 1970's when double-digit inflation, environmental equipment costs and other various factors made the cost of these facilities extremely expensive. Non-regulated businesses would have forgone these capital investments.

If it is our society's desire to move our electric industry from a regulated to a non-regulated environment then steps must be taken to protect those who have followed the rules that have been in place for the past several decades.

III. PAST COMMITMENTS

Entities that requested electric service under a regulated environment in reality were establishing a contract with the electric industry. The electric industry was required to meet that request and significant financial commitments were made to meet those requests. These commitments were made by the electric industry based upon an understanding that the industry would remain in a regulated environment and they would be able to recapture their investment costs.

IV. TRICO ELECTRIC COOPERATIVES POSITION ON ELECTRIC INDUSTRY CHANGES

Trico is opposed to any changes in the electric industry that shifts imbedded costs from those who required the electric industry to create such costs to innocent parties that abided by the rules of the past several decades.

If it is determined that changes in the electric industry are in the best interest of our society in the future, future changes must have significant lead times to allow for the honoring of past commitments and to allow the electric industry to begin making investment decisions based on a non-regulated environment.

If change does take place:

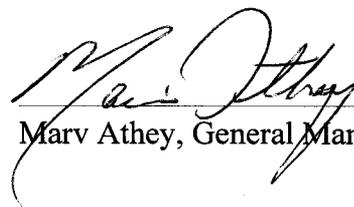
- * Existing contractual relationships must be maintained.
- * Stranded costs must be recovered from users who created the cost.
- * Duplication of distribution facilities must be avoided.
- * Programs that encourage efficient energy use must be continued.

V. SUMMARY

The electric industry has served this nation well for decades. The rules governing this industry that resulted from the desires of society and have been formulated over that same extensive period of time, have also served our nation well. It would be unwise to enact change without a considerable amount of careful analysis. It would also be unwise to enact change for the sake of change. And if change is the proper course of action, this should be done at a very slow pace to allow time for redirection if such is necessary.

These comments are respectfully submitted this 28th day of June 1996.

By: TRICO ELECTRIC COOPERATIVE,
INCORPORATED



Marv Athey, General Manager