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Arizona Corporation Commission
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September 9, 1996

Docket Control
The Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Docket Number U-0000-94-165

Dear Commissioners:

Power Resource Managers, L:L.C. (PRM) is pleased to submit its comments on the Proposed Rule - Retail Electric Competition. In general, PRM feels that while the proposed rule is a good beginning, it is to narrow and will not materially affect the ability of consumers to take advantage of opportunities to lower their electric bills. The rule, as proposed also makes it almost impossible for smaller customers to take advantage of aggregation opportunities.

The proposed rule does not mention the need for load profiling to allow residential and small commercial customers to take advantage of retail wheeling opportunities, nor does it allow for the use of financial mechanisms as a way of providing the benefits of retail competition to smaller customers.

This rule, while providing some minor amount of additional competition in the electric services industry, will result in a market dominated and controlled by the existing utilities. The bill does not go far enough in requiring existing utilities to divest themselves of existing generation assets, value generation assets at market value, or improve the existing reliability of the electric system. In this sense, the bill is somewhat of a disappointment to those wishing to introduce meaningful competition into the electric services industry.

PRM's specific comments are:

R14-2-xxx1. Definitions

Stranded Investment: This definition is too broad and does not recognize that utilities will benefit greatly from competition by increasing the value of assets not directly attributable to the introduction of competition. For example, after utilities have recovered their stranded investment by 2004, utilities will have a fully depreciated generation base while their competitors will need to recover both their energy costs plus any non-depreciated capital costs.

If utilities want to recover capital costs, they should be forced to divest themselves of non-nuclear generation assets. They should also be required to fully value the generation assets on which they are attempting to recover any stranded investment, through an auction of these assets in the competitive marketplace.

R14-2-xxx4 Competitive Phases

PRM does not believe it necessary to wait until 1999 to begin retail wheeling. There are no technical or legislative barriers that prevent retail wheeling from beginning sooner.

R14-2-xxx7 Recovery of Stranded Investment of Affected Utilities

If a utility attempts to recover stranded investment from its customers, it should not be allowed to waive or reduce stranded investment from any of its customers as a means of competing in the competitive marketplace.

PRM does not understand section (F) - Stranded investment may only be recovered from customers served competitively under the provisions of this Article. Does this mean that customers that continue to take service from the affected utilities do not pay any stranded investment, or that the stranded investment component is collected in their payments to the affected utilities?

R14-2-xxx10 Pooling of Generation and Centralized Dispatch of Generation or Transmission

PRM urges the Commission to establish a power pool to oversee the least-cost dispatch of energy into Arizona. PRM does not understand the reluctance of ACC staff to acknowledge that under no circumstances can a power pool cause energy prices to increase. A pool, at worst, can result in no change in energy prices. In most cases, a pool will result in lower energy prices.

R14-2-xxx13 Service Quality, Consumer Protection, Safety and Billing Requirements

PRM believes that there should be heavier penalties for "slamming."

PRM also believes that a bi-monthly bill for residential customers should be allowed.

PRM looks forward to the next round of hearings on this proposed rule. PRM will submit additional recommendations for creating a truly competitive market for electricity at those hearings.

Respectfully Submitted,

David X. Kolk, Ph.D.