

K.R. Saline & Associates



0000065608

RECEIVED
AZ CORP COMMISSION

SEP 12 4 29 PM '96

P.O. Box 30279
Mesa, AZ 85275
(602) 807-0685
Fax: (602) 807-0686

Hand Delivered

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

DOCUMENT CONTROL Arizona Corporation Commission

BUCKETED

SEP 12 1996

BUCKETED BY

In accordance with the discussions at the workshop on electric industry restructuring on August 12, 1996, we are providing written comments to the Arizona Corporation Commission ("ACC") for Docket No. U-0000-94-165 on the Proposed Rule -- Retail Electric Competition. The ACC investigation into industry restructuring and rulemaking along with federal efforts to restructure the entire electric industry will impact the services and contractual relationships among all electric utilities within Arizona.

K. R. Saline & Associates is an engineering services and consulting firm that provides a wide variety of scheduling, purchasing, contracting and related services to small Arizona nonprofit governmental entities ("Arizona Districts") that engage in electric and water utility services, primarily in rural areas¹. As such, we address the issues that face these entities on these subjects on a daily basis. Our experience provides us a technical and economic view of a portion of the electric utility industry in Arizona not regularly viewed by the ACC and its staff.

The entities we represent are ACC non-jurisdictional Arizona municipal corporations engaged in the electric utility industry. Most of these utilities do not have an Certificated Area recognized by the ACC, and their service areas are at best defined by overlaps in the CCN's or service territories of other utilities which may or may not be regulated by the ACC. For most of these utilities, their service areas have been completely open to competition for decades. Due to the common location of the Arizona District loads side-by-side with loads of Arizona Public Service or Salt River Project, the customers of these non-jurisdictional entities have had the option of purchasing power from these utilities without restriction.

While we intend to comment on other aspects of the Proposed Rule at the Workshop on September 18, we are providing the following comments on specific areas of the Proposed Rule where we believe additional modification is required.

¹Aguila Irrigation District, Buckeye Water Conservation & Drainage District, Electrical District No. 1 of Pinal County, Electrical District No. 3 of Pinal County, Electrical District No. 4 of Pinal County, Electrical District No. 5 of Pinal County, Electrical District No. 6 of Pinal County, Electrical District No. 7 of Maricopa County, Electrical District No. 8 of Maricopa County, Harquahala Valley Power District Maricopa Water District, McMullen Valley Water Conservation & Drainage District, Ocotillo Water Conservation District, Roosevelt Irrigation District, San Tan Irrigation District, and Tonopah Irrigation District.

Proposed Rule R 14-2-XXX9. Solar Portfolio Standard

This rule appears to only support solar power and ignores other potentially sound renewable resources which may be economically and socially beneficial. As currently proposed, the mandate would discriminate against other renewable resources and may preclude potential suppliers from participating in the Arizona market. Northwest utilities, for example, may not be able to provide solar resources as part of their resource mix, while hydro resources would make up a large portion of their supply mix. This oversight would limit access to cheap hydro suppliers from the northwest during wet cycles and forces regional renewable resource technologies upon any supplier which may want to access Arizona consumers.

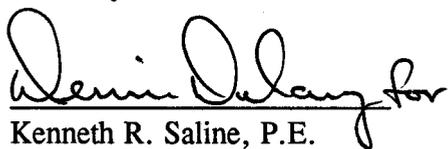
We believe this rule should eliminate the mandate for solar resources and at a minimum recognize other renewable resources that exist in the marketplace.

Proposed Rule R 14-2XXX11. In-State Reciprocity.

This rule does not provide comparability as proposed by the FERC for non-jurisdictional utilities. Since the ACC does not have jurisdiction over numerous utilities within Arizona, the proposed Rule can not be used as a mechanism to assert jurisdiction over non-jurisdictional utilities. In simple terms, the Reciprocity Rule should state that if a non-jurisdictional utility opens up its customers to other suppliers, the ACC would require any jurisdictional utility to open up their certificated areas for access to supplies from the non-jurisdictional utility. This proposal provides the incentive for non-jurisdictional utilities to participate on a comparable basis to the jurisdictional utilities and assures open access to the consumers of Arizona. It avoids any statutory complications and recognizes that the ACC will require access to utilities it has jurisdiction over if the nonjurisdictional utilities open up their customers on a comparable basis.

Since these entities have been operating in the very environment envisioned by retail wheeling for several decades, we look forward to a process of evolution of a state regulatory scheme which serves the consumers of Arizona without great disruption. We appreciate the opportunity to comment on these important issues within Arizona and the thoughtful approach used by the ACC staff to investigate and develop open access electric policy within the State. We plan to participate in any continuing discussions on these very important issues, and thank the staff for their efforts in reading and accumulating all of the comments.

Sincerely,



Kenneth R. Saline, P.E.

K. R. Saline & Associates

cc: District Representatives

S:\KRS\ACC\ACCCMT5.WPD