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Governor of Arizona

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AZ CORP COMMISSION

Sara Goertzen Dial  
Director

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September 11, 1996

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

Arizona Corporation Commission  
DOCKETED

Re: Docket No. U-0000-94-165

SEP 12 1996

Dear Commissioners:

DOCKETED BY 

The Arizona Department of Commerce is highly supportive of the Corporation Commission process elaborated through Docket No. U-0000-94-165. A thoughtful, careful resolution to the issues surrounding the introduction of competition to the electric utility industry will serve well the interests of the industry itself and its investors, as well as future generations of electric consumers, whether industrial, commercial or residential. We feel the ACC approach lends itself to an appropriate, balanced resolution to what are currently competing concerns among these groups.

The Department of Commerce believes the pace of introducing all Affected Utility retail demand to competition is too ambitious, and should be relaxed to allow Affected Utilities more and better cost-effective opportunities to recover stranded investment in jurisdictional assets. Specifically, we suggest incremental steps of 10% by January 1, 1999, 30% by January 1, 2001 and 100% by January 1, 2005.

The balance of our comments suggest clarifications to the rule language.

**xxx4.E.3** Mention needs to be made of how the 10 percent of annual customer electricity consumption shall be measured or estimated.

**xxx5.** Add a paragraph that allows a "certificated electric company" to participate in other services, especially DSM services, telecommunications-based services and others.

**xxx6.C.1** If distribution utilities will continue to be the delivery and cost recovery mechanism for System Benefits and Stranded Investment, then Distribution service tariffs should explicitly include a breakout for these expenses. At (D.), so as to prevent abuses, the term "reasonable" will have to be closely defined. At (F.), clarify what is meant by "timely and useful."

**xxx7.C** Clarify what is meant by "appropriate analyses." At (I.), we suggest Stranded Investment recovery be extended to year-end 2008. **Add:** language specifying the

treatment of customers who have left the system and then seek to return. What is the obligation to serve?

**xxx9.E** Clarify that it is the deficient kWh of the solar generated retail sales target that is subject to the penalty, not an electricity-selling company's entire generation portfolio.

**Add:** a paragraph establishing a solar energy purchase credit program, in the event that a particular utility is motivated to build solar generation beyond the minimum requirements.

**xxx12.A** The term "Market-based rates" should be defined. At (C.) and wherever else appropriate, clarify that this is not meant to impede the development of short-term and spot energy markets.

**xxx13.H** The electricity consumer's concerns with a sophisticated, confusing and choice-filled competitive environment will be better served if notice of termination of service due to the electricity provider's changing business status is lengthened to 30 days.

Sincerely,

*Amanda Ormend*  
*for*

Jack Haenichen  
Assistant Deputy Director  
Arizona Department of Commerce