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BEFORE THE ARIZONA CORPORATION COMMISSION

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RENZ D. JENNINGS
Chairman
MARCIA WEEKS
Commissioner
CARL J. KUNASEK
Commissioner

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NOV 08 1996

DOCKETED BY

Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

1
2
3
4
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7
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) DOCKET NO. R-0000-94-165
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) ASARCO, INCORPORATED'S,
) BHP COPPER INC.'S AND
) IN THE MATTER OF:)
) COMPETITION IN THE PROVISION)
) OF ELECTRIC SERVICES)
) CORPORATION'S COMMENTS
) THROUGHOUT THE STATE OF)
) ON RULES PROPOSED IN
) ARIZONA)
) DECISION NO. 59870
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Asarco, BHP Copper, and Cyprus ("ABC") support adoption of the rules proposed by the Arizona Corporation Commission ("Commission") in its Decision No. 59870. The proposed rules contain a number of important features which merit adoption at the conclusion of the public hearings scheduled for December 2-4, 1996.

1. The proposed rules provide a workable framework for phasing in retail competition in the provision of electric services in Arizona.

As Arizona moves to competition in the provision of electric service, it is in the public interest that a framework be established that defines the essential elements of a

Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

1 competitive environment, and that fixes outside dates for reaching important milestones. The
2 proposed rules accomplish these objectives. They establish the basic features of the new
3 system; included are rules governing energy service providers; market penetration targets
4 for phase-in periods; provisions for mandatory unbundling of specific electric services;
5 provisions for collection of system benefits charges; the factors that will be utilized for
6 evaluating stranded costs; and standards for ensuring service quality and consumer
7 protection. Moreover, the Arizona framework is designed to be compatible with F.E.R.C.
8 Orders 888 and 889, which mandate and implement non-discriminatory access to the
9 interstate transmission system for wholesale transactions.
10

11 **2. The proposed rules establish achievable outside dates for the phase-in of**
12 **competition.**

13 The first competitive phase, requiring that 20 percent of system retail peak
14 be accessible to the competitive market, is not mandated until January 1, 1999. This long
15 lead time gives Arizona utilities and customers over two years to prepare for the initial phase
16 of competition. When the first phase of competition begins in Arizona, retail access
17 programs in California and some other states will already have been underway for at least
18 a full year. This interim period will give the Commission and Arizona utilities an additional
19 opportunity to identify and resolve any problems associated with the transition to
20 competition, and will also help Arizona utilities mitigate stranded costs through participation
21 in the California retail market.
22

23 **3. The proposed rules establish guidelines for promoting broad-based**
24 **participation in the benefits of retail competition.**
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Streich Lang, P.A.

Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.

Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

1 By requiring that at least 15 percent of the demand eligible for competition
2 in phase one, and 30 percent in phase two (starting January 1, 2001), be reserved for
3 residential customers, the proposed rules ensure that the benefits of competition will extend
4 across all customer classes.

5 **4. The proposed rules establish working groups to address the details of**
6 **implementation within the proposed framework, and identify areas in**
7 **which further determinations by the Commission are appropriate.**

8 The Arizona Corporation Commission has identified five areas requiring
9 further study by working groups: reliability and safety, selection process, stranded costs,
10 unbundled services and standard offer, and legal issues. The recommendations of these
11 groups can lay the foundation for further rulemaking or evidentiary hearings, to the extent
12 necessary for implementation.

13 **5. The proposed rules allow for the inclusion of Salt River Project, to the**
14 **extent permitted by voluntary compliance or by modifications to existing**
15 **law.**

16 It is in the public interest that customers of Salt River Project (SRP) be
17 afforded the opportunity to purchase electric services in the competitive market. In addition,
18 customers outside SRP's current service territory can benefit from SRP's competitive
19 presence in a retail access environment. The proposed rules appear to offer an open
20 invitation to SRP to participate in the competitive market; however, because SRP's voluntary
21 participation requires approval by the other utilities affected by the proposed rule, ABC
22 recommends that the Commission monitor the progress of discussions between the utilities
23 regarding SRP's inclusion in order to ensure that the approval of other utilities is not
24 unreasonably withheld. In short, if SRP wishes to participate in competition, and is willing
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Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

1 to open its territory to other utilities, the Commission should do everything it can to make
2 certain any barriers to full and open competition are removed.

3 **6. The proposed rules recognize the importance of adherence to the**
4 **standards and practices of the Western Systems Coordinating Council**
5 **(WSCC) and the North American Electric Reliability Council (NERC)**
6 **for maintaining system reliability.**

7 By requiring adherence to the reliability standards and practices of WSCC and
8 NERC by all electric service providers, the proposed rules ensure that Arizona's commitment
9 to reliable electric service will not be affected by new entrants. In addition, the establishment
10 of the Electric System Reliability and Safety Working Group will identify additional means
11 to maintain system reliability during and after the transition to retail competition.

12 Conclusion

13 ABC has participated in the rulemaking process through written comments
14 and discussions in staff workshops. As indicated in our previous comments, ABC does not
15 agree with every feature of the proposed rules. For example, ABC strongly favors earlier
16 implementation dates; disagrees with the limitations placed on participation by large
17 customers; and is concerned that the solar portfolio standard, in the magnitude proposed, will
18 be much too costly and will create an undue cost burden that will inevitably be shifted to
19 consumers.

20 These differences notwithstanding, ABC recognizes that the proposed rules,
21 when viewed as a whole, represent a balancing of interests within a framework which
22 advances the public interest. Therefore, ABC recommends adoption of the proposed rules,
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and encourages the Commission to do everything possible to facilitate voluntary implementation of retail access prior to the outside dates specified in the proposed rules.

Respectfully submitted this 8th day of November, 1996.

Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

STREICH LANG
A Professional Association
Renaissance One
Two N. Central Avenue
Phoenix, Arizona 85004-2391
Attorneys for BHP Copper Inc.

By 
Louis A. Stahl

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

FENNEMORE CRAIG, P.C.
Two N. Central Avenue, Suite 2200
Phoenix, Arizona 85004-2390
Attorneys for Cyprus Bagdad Copper Corporation and ASARCO Incorporated

By 
C. Webb Crockett

CERTIFICATE OF SERVICE

The original and ten (10) copies of the foregoing document were filed with the Arizona Corporation Commission on this 8th day of November, 1996, and copies of the foregoing were mailed this 8th day of November, 1996, to:

Charles R. Huggins
Arizona State AFL-CIO
110 North 5th Avenue
P.O. Box 13488
Phoenix, AZ 85002

David C. Kennedy
Law Offices of David C. Kennedy
100 W. Clarendon, Suite 200
Phoenix, AZ 85012-3523

Richard L. Sallquist
Ellis, Baker & Porter, P.C.
2111 E. Highland, Suite 355
Phoenix, AZ 85016-4734

Michael A. Curtis
William P. Sullivan
Martinez & Curtis, P.C.
2712 North 7th Street
Phoenix, AZ 85006

Thomas C. Horne
Michael S. Dulberg
Horne, Kaplan & Bistrow, P.C.
40 N. Central Ave., Suite 2800
Phoenix, AZ 85004

Larry R. Braber, V.P.
Utility Services
Cyprus Metals Company
9100 E. Mineral Circle
Englewood, CO 80112

Beth Ann Burns
Associate General Counsel
Citizens Utilities Company
2901 North Central Avenue,
Suite 1660
Phoenix, AZ 85012

Vicki G. Sandler
Arizona Public Service Company
Law Department Station 9829
P.O. Box 53999
Phoenix, AZ 85072-3999

Steven M. Wheeler
Thomas L. Mumaw
Snell & Wilmer
One Arizona Center
400 E. Van Buren
Phoenix, AZ 85004-0001

Norman J. Furuta
Associate Counsel
Department of the Navy
900 Commodore Dr., Bldg. 107
P.O. Box 727 (Attn: Code 90C)
San Bruno, CA 94066-0720

Paul J. Roshka, Jr.
Raymond S. Heyman
Roshka, Heyman & DeWulf
Two Arizona Center
400 N. 5th Street, Suite 1000
Phoenix, AZ 85004

Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

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Streich Lang, P.A.

Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.

Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

- 1 Barbara S. Bush
Executive Director
- 2 Coalition for Responsible Energy
Education
- 3 315 West Riviera Drive
Tempe, AZ 85252
- 5 Rick Lavis
Arizona Cotton Growers Assn.
- 6 4139 E. Broadway Road
Phoenix, AZ 85040
- 8 Bruce Driver
Eric Blank
- 9 Land & Water Fund of Rockies
Law Fund Energy Project
- 10 2260 Baseline, Suite 200
Boulder, CO 80302
- 11 Greg Patterson, Director
Residential Utility Consumer Office
- 12 2828 North Central Avenue, Suite 1200
Phoenix, AZ 85004
- 14 Michael M. Grant
Johnston Maynard Grant & Parker
- 15 3200 N. Central Ave., Suite 2300
Phoenix, AZ 85012
- 17 Jack Haenichen, Director
Arizona Energy Office
- 18 Arizona Department of Commerce
3800 N. Central Avenue
- 19 Phoenix, AZ 85012
- 20 Steve Brittle, President
Don't Waste Arizona, Inc.
- 21 6205 S. 12th Street
Phoenix, AZ 85040
- 22 Ajo Improvement Company
P.O. Drawer 9
- 24 Ajo, AZ 85321

- Columbus Electric Cooperative, Inc.
P.O. Box 631
Deming, NM 88031
- San DeFrawl
Rate Intervention Div.
Attn: Code 16R
Naval Facility Engrg Command
Room 10S12
200 Stoval Street
Alexandria, VA 22332-2300
- Myron Scott
Lewis & Clark College
Natural Resources Law Inst.
10015 SW Terwillinger Blvd.
Portland, OR 97219
- Steven Glaser
David Lamoreaux
Tucson Electric Power Company
220 West 6th Street
Tucson, AZ 85701
- Thomas R. Sheets
Andrew W. Bettwy
Office of Regulatory Affairs
Southwest Gas Corporation
5241 W. Spring Mountain Road
Las Vegas, NV 89102
- Bruce E. Meyerson
Steptoe & Johnson
40 North Central Ave., 24th Fl.
Phoenix, AZ 85004-4453
- Lex J. Smith
Brown & Bain
2901 N. Central Ave.
P.O. Box 400
Phoenix, AZ 85001-0400

Streich Lang, P.A.
Two North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5200

Fennemore Craig, P.C.
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-3390
(602) 257-5333

- 1 Arizona Electric Power Cooperative
P.O. Box 670
2 Benson, AZ 85602
Duncan Valley Electric Cooperative, Inc.
P.O. Box 440
Duncan, AZ 85534
- 3 Dixie Escalante Rural Electric Assoc.
4 CR Box 95
Beryl, UT 84714
Graham County Electric Cooperative, Inc.
P.O. Box Drawer B
Pima, AZ 85543
- 5 Garkane Power Association, Inc.
6 P.O. Box 790
Richfield, UT 84701
Morenci Water and Electric Company
P.O. Box 68
Morenci, AZ 85540
- 7
8 Mohave Electric Cooperative, Inc.
P.O. Box 1045
9 Bullhead City, AZ 86430
Sulphur Springs Valley Electric
Cooperative
P.O. Box 820
Wilcox, AZ 85644
- 10 Navopache Electric Cooperative, Inc.
11 P.O. Box 308
Lakeside, AZ 85929
- 12 Trico Electric Cooperative, Inc.
13 P.O. Box 35970
Tucson, AZ 85740
- 14 Continental Divide Electric Cooperative
15 P.O. Box 1087
Grants, NM 87020
- 16 Karen Glennon
17 19037 North 44th Avenue
18 Glendale, AZ 85308
- 19
20
21
22
23
24
25


