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BEFORE THE ARIZONA CORPORATION COMMISSION

Carl Kunasek
Chairman
Tony West
Commissioner
Jim Irvin
Commissioner

Arizona Corporation Commission
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IN THE MATTER OF UNBUNDLED AND STANDARD OFFER TARIFFS	)	DOCKET NO. E-01032C-97-0774
IN THE MATTER OF CITIZENS UTILITIES STRANDED COSTS	)	DOCKET NO. RE-00000C-94-0165

ARIZONA COMMUNITY ACTION ASSOCIATION'S REPLY COMMENTS ON THE MARCH 19, 1999 TESTIMONY OF SEAN BREEN AND STAFF'S PROPOSED ORDER OF DECEMBER 30, 1998

Arizona Community Action Association hereby files comments for the Citizens Utilities Unbundled and Stranded Cost hearing. Our comments are based upon review of the March 19th testimony of Sean Breen and Staff's Proposed Order of December 30, 1998 incorporating Settlement provisions between Citizens, Staff, and RUCO.

INTRODUCTION

It is widely recognized that the benefits and costs associated with both the production and consumption of electricity are regressively distributed across society. To obtain basic utility service, low-income households must devote a larger percentage of total income than higher-income households and businesses. In Arizona, where residential electric rates are five percent higher than the national average, and where access to electricity-intensive cooling end-uses can

be a matter of life and death, this inequity becomes a very serious matter.[1] Clearly, electric industry restructuring carries the potential to segment or isolate low-income consumers and exacerbate the regressive nature of energy cost and benefit distribution across society. Low-income customers are least likely to be served in a competitive marketplace, as demonstrated by this telling statement from *the Cinergy Now* newsletter:

> For residential customers we are developing products and services that we believe will appeal to our profitable customers. We have no reason to develop them for the unprofitable ones. Also, we should not try to keep all customers because not all customers are profitable to us. ... After deregulation is a reality and we no longer have an obligation to serve, we can't afford to hang on to loss customers and even marginally profitable ones.
>
> *Cinergy Now* newsletter to employees, December 9, 1998

Thus, low-income customers are most likely to face higher non-competitive rates for restructuring, although they are least able to cope with higher rates. Therefore, ACAA submits the following questions and comments to help ensure that that CUC's low-income customers are not harmed by the move to a more competitive utility marketplace.

In developing these comments, ACAA faced several challenges which directly reflect on the timeliness, content and quality of our work product. We ask that the Commission, the Hearing Officer, and other parties take the following into consideration:

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[1] Residential rate differential calculated from U.S. Department of Energy/Energy Information Administration, Electric Power Annual 1998 Volume I, Table 15: Average Revenue per Kilowatthour for U.S. Electric Utilities by Sector, Census Division, and State, 1998.

- ACAA was not a party to the Settlement negotiations and was only made aware of a Settlement and its content upon reading Mr. Breen's testimony.
- ACAA received a copy of the Sean Breen's testimony and Staff's Proposed Order shortly before our Staff member was scheduled for a leave of absence; as a result ACAA had to draft these comments based on a quick review of limited documents. (Note: ACAA greatly appreciates Citizens quick delivery of the available documents after the request was made.)
- ACAA submitted initial data requests to Citizen's on May 24, 1999; however, due to the necessity of completing the majority of these comments on May 23rd prior to our ACAA Staff member's absence, these comments were developed without that information (additional questions and issues of concern have been developed and included here, but not yet submitted to Citizen's).
- And finally, ACAA does not have the resources to do an in-depth analysis of a cost of service study or stranded cost filing. For that, we will have to rely upon the expertise of Staff and RUCO. However, ACAA is compelled to question principles and provide comment accordingly.

Therefore, ACAA's comments will include questions to which, in an ideal world, we would have had answers. Some of these questions we would have asked during the Settlement negotiations, had we been included. Other questions will be submitted as data requests and the answers would have been included in these comments as a foundation of our position. Nonetheless, the questions,

whether answered or not, form the basis for policy considerations dear to ACAA interests and hopefully will be considered in the hearing.

1. STRANDED COST MITIGATION

1.1.1. Stranded cost recovery generally applies to the above-market portion of specific balance sheet items that the utility has failed to sell or otherwise mitigate. Mr. Breen's testimony indicates that the Company wishes to include costs associated with billing and collections as close to half the Company's total stranded cost mechanisms (i.e., applicable components of standard offer tariffs and the Competitive Transition Charge). In calculation of total stranded costs, the Company groups costs associated with billing and collections with generation assets and regulatory assets. We note that generation assets and regulatory assets are items with value that are included on the Company's balance sheet. However, mitigation requires that *expenses,* such as billing and collections costs, should be reduced rather than continued and collected as "stranded."

To the extent that a portion of these costs are assets carried on the balance sheet (e.g., buildings) they first should be sold or otherwise subjected to full mitigation treatment before the final asset value is to be considered stranded. In other words, billing and collections costs generally represent expenses associated with the Company conducting its distribution business,

rather than assets with value that may be carried on the balance sheet. As such, they are not strandable.

1.1.2. The Company has proposed to delay divestiture of its APS Power Purchase Contract. ACAA proposes that the Company not recover any costs associated with the contract until the divestiture issue is resolved. We further propose that a set aside fund be established to hold recoverable costs until such time as the divestiture issue is resolved, so long as the Company's AFUDC rate is reset to reflect the current cost of capital.

The Company should describe the circumstances under which non-divestiture would be in the interest of CUC ratepayers. In addition, please describe whether the Company has considered alternatives such as divestiture with an option to purchase at a predetermined price. Please indicate the extent to which the APS capacity block is required to meet CUC's projected energy and capacity needs over the next ten years. Further, please provide a table delineating each component of CUC's resource portfolio, including both supply-side and demand-side resources.

1.2. With respect to the Valencia facilities, why does the Company propose to retain these as must-run units rather than divesting? What ratepayer protections are included in proposed provisions allowing the Company to maintain ownership of these facilities? In determining whether the company

retains ownership of these units, the Company should meet a standard where it demonstrates that retained ownership is preferable for ratepayers than selling the units and purchasing capacity from the lowest cost alternative (e.g., Valencia, distributed generaiton, distribution reinforcements).

1.3. On page ten of his testimony, Mr. Breen proposes removal of a previously filed $1 million estimated fuel charge adjustment to the Company's stranded cost. The company should describe why this downward adjustment was removed. Further, please provide the Company's current PPFAC balance, and describe its plans for making filings to true-up balances before and after the onset of retail competition.

1.4. Please provide the Company's current AFUDC rate. When was the current rate approved by the ACC? Have capital costs increased or decreased since the previous ACC approval? When will the Company file for an adjustment of its AFUDC rate?

1.5. There are other mitigation efforts that could be taken to further offset any stranded costs. With respect to mitigation efforts not discussed in Mr. Breen's testimony, please respond to the following:

1.5.1. Has the Company endeavored to refinance any or all of its outstanding long-term debt? Please describe any refinancing efforts undertaken during the past five years.

1.5.2. Has the Company endeavored to sell rights of way, real estate, fiber optics or other valuable assets not required for delivery of

transmission and distribution services? Please describe any such sales or retention of assets not directly related to the delivery of T&D services.

Having stated the comments above, it is extremely difficult to produce testimony on stranded costs without having some numbers to review; therefore ACAA will again ask questions and put forth general policies.

1.6. The demand ratchet for large power user will be lowered to 80%. What is the cost impact to all customer classes? Will residential consumers see an increase in costs?

1.7. What is the cost of service for all customer classes? Who is over or under paying?

1.8. Why are residential consumer's costs being increased?

1.9. ACAA is concerned about allowing recovery of transition costs for opening metering and billing to competition. Residential consumer should not be paying for costs attributable to other classes. In addition, it seems unfair to charge residential consumers in the first place, since they are not the motivating force behind the move to competition and will likely receive few benefits of competition. What benefits will residential consumers receive from the payment of stranded costs associated with metering and billing?

1.10. What is the net impact on residential bills from stranded costs?

1.11. Citizen's has claimed $18.3 million in stranded cost mitigation. If you were to break that out by customer class, how much could be attributed to each class?

1.12. Citizen's claims 6% decreases for generation customers. Generation costs will be decreased by how much per class?

1.13. What will the promised decreases be by class in 2000 and 2001?

2. LOW-INCOME PROTECTION

Electricity service is essential to the health and well-being of all of the state's residents. Therefore, a series of measures is required to ensure affordability of service to all households irrespective of income. As mentioned above, Arizona residential ratepayers already pay rates above the national average. The future under electricity restructuring looks even worse, as fresh experience from other deregulated monopoly industries demonstrates. If competition fails to protect American consumers, it will not be the first time:

- The local rates families pay for telephone service have jumped about 50% since divestiture. Few families use much long distance, but large businesses rely heavily on it. Their rates have dropped more than 50%.[2]
- In the year after pay phones were deregulated in Massachusetts (1997), the

[2] U.S. Bureau of Labor Statistics, Consumer Price Index (local residential telephone component); AT&T prices for ten-minute cross-country call, (as filed with and compiled by Federal Communications Commission) in Waldon and Lande, Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service (Federal Communications Commission 1997). Long distance operators say the overall long distance decreases are much larger than 50%. T. Price, (CEO, MCI), letter to the editor, p. 20 (Washington Post Jan. 31, 1997) (70%).

price of a local call more than tripled.[3]

- Cable TV rates rose 12% in the year after they were deregulated in 1996.[4]
- After natural gas prices were deregulated, the premium paid by Texas consumers over the industrial rate jumped 45%, from 52% to 97%.[5]
- The presence of competition cuts vital institutional hospital research in half.[6]

Thus an almost certain outcome of the deregulation of monopoly industries is the singling out of captive customers – usually residential – for higher prices. This is unacceptable when the services at stake are essential to life. It is unconscionable when the people singled out for economic pain are already the most vulnerable in our society –

- working families on the brink of poverty struggling to make ends meet from paycheck to paycheck,
- elderly people who are particularly susceptible to the temperature extremes that electricity can moderate,
- others on fixed incomes who are already paying more than they can afford for essential service, and
- rural families who are just too inconveniently located for corporate America to serve.

Experience across the country shows that these people can reduce their own bills with the help of energy efficiency programs that install measures such as insulation and light bulbs that use 75% less electricity. Others just need payment assistance. Decades of experience across the country have proven that efficiency programs return

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[3] See Company Data response DPU 2-9 in NYNEX, D.P.U. 97-18 (Mass. D.P.U. 1997).

[4] U.S. Bureau of Labor Statistics data for Feb. 1996/-/Dec. 1997 cited in "Telecom Competition Failure Costs Consumers," CFA News, p. 2 (Consumer Federation of America, Mar. 1998).

[5] R. Colton, ANatural Gas Prices by Customer Class Pre- and Post-Deregulation § (Fisher, Sheehan & Colton, 1998).

[6] Weissman et al., AMarket forces and unsponsored research in academic health centers, § 281 Journal of the American Medical Association 1093-1098 (1999).

twice their investment in a variety of ways, including:[7]

- reduced needs for fuel and electric generating capacity, as well as transmission and distribution capacity,
- reduced utility collection costs,
- reduced utility environmental compliance costs,
- increases in the number of jobs, especially local jobs, including the economic multiplier thereof,
- increased real estate tax base, and
- savings in tax-supported expenditures for such purposes as Medicaid, building inspection, firefighting, and homeless shelters.

Recognizing these benefits, every state that has restructured its electricity industry has provided a safety net to protect vulnerable consumers from the risks of the new regime. For example, The Pennsylvania General Assembly specifically defined universal service to include services "that help low-income customers to maintain electric service." [8] The Electric Generation Customer Choice and Competition Act states as a declaration of policy that "The public purpose is to be promoted by continuing universal service and energy conservation policies, protections and services..." [9] To carry out this public purpose, the General Assembly declared that "The Commonwealth must, *at a minimum*, continue the protections, policies, and services that now assist

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[7] E.g., Berry et al., "Progress Report of the National Weatherization Assistance Program" (Oak Ridge National Laboratory, 1997); Skumatz et al., "Extra! Extra! Non-Energy Benefits Swamp Load Impacts for PG&E Programs (ACEEE 1998); Howat and Oppenheim, "Analysis of Low-Income Benefits in Determining Cost-Effectiveness of Energy Efficiency Programs" (National Consumer Law Center 1999).

[8] (66 Pa.C.S. § 2803, 2804(9)

[9] (66 Pa.C.S. § 2802 (17)

customers who are low-income to afford electric services." [10] Other states have established similar policies, including:

MAINE:

electricity is a basic necessity to which all residents of the State should have access, ...[11]

MASSACHUSETTS:

Electricity service is essential to the health and well-being of all residents of the commonwealth...Affordable electric service should be available to all consumers on reasonable terms and conditions . . . the commonwealth should insure the universal service and energy conservation policies, activities, and services are appropriately funded and available throughout the commonwealth...the restructuring of the existing electricity system should not undermine the policy of the commonwealth that electricity bills for low-income residents should remain as affordable as possible [12]

MONTANA:

Public interest requires . . . protection of consumers through . . . funding . . . for low-income customer weatherization . . . and low-income energy assistance[13]

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[10] (66 Pa.C.S. § 2802(10)(emphasis supplied)

[11] Maine Rev. Stat. Tit. 35-A, 3214(1)

[12] Mass. St. 1997, C-164, § 1(a), 1(b), 1(j), 1(n).

[13] Electric Industry Restructuring and Customer Choice Act § 2(4)(d), Mont. Code § 69-8-102 (4)(d)(i), (ii), (iv).

NEW HAMPSHIRE:

Universal Service . . . electric service is essential and should be available to all customers . . . A restructured electric utility industry should provide adequate safeguards to assure universal service. Programs and mechanisms that enable residential customers with low incomes to manage and afford essential electricity requirements should be included . . . [14]

OKLAHOMA:

"mechanisms that enable . . . consumers with limited incomes to obtain affordable essential electric service" shall be ensured[15]

LOW INCOME RATE DISCOUNTS AND ALTERNATIVES

Another means of curbing adverse consequences borne by low-income ratepayers is to offer low-income rate discounts. The primary purpose of a discount program is to lower the bills of income-limited residential families to the point where the burden the bill places on the household budget is affordable. An important related purpose is to reduce credit and collection costs. Examples are percentage-of-income rates, universal service or basic block rates, inverted block rates, and waivers of the service or customer charge.

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[14] N.H. Rev. Stat. C-374-F:3(v)

[15] Okla. Stat. Tit.17 §194.4.

An alternative affordability program is an Electricity Universal Service Rate, which would offer a basic universal service block of essential electricity – such as 500 kWh per month – at a price equivalent to the utility's variable cost (essentially the cost of fuel). This would assure that variable costs are covered, with contributions to fixed costs from larger customers. In this way, the Electricity Universal Service Rate is similar to industrial economic development rates. Both offer reduced rates that cover variable costs and a reduced contribution to fixed costs in order to prevent the loss of customers. A related concept is the inverted block rates offered to all residential customers by, for example, Houston Lighting & Power Co. and the City of Austin. An inverted block structure reverses the idea of quantity discount and charges increasing amounts per unit for increasing levels of consumption.

Most electricity rates include a fixed monthly charge that is assessed irrespective of usage. This is called a service charge or customer charge. This initial charge can be waived for those meeting specified criteria. The result is similar to inverting the rate as just described in the following way. A rate that consists of a fixed monthly charge plus a flat per kWh rate yields, on a per unit basis, a declining net price per unit of consumption. If the fixed charge is waived, the result is to remove the quantity discount and flatten the per-unit price.

A strong outreach program is a very important adjunct to any universal service rate since experience has shown that, without aggressive outreach, only about a third of low-income families are actually enrolled in the program. The

most effective means of outreach is computer matching of data tapes to locate utility customers who are receiving public benefits that make them eligible for the universal service rate. Such computer matching has been successfully accomplished, for example by New York Telephone Co. and Eastern Edison Co. Eastern enrolls almost half the low-income households in its southeastern Massachusetts service territory as a result of a computer match; the Massachusetts average is a third.

Universal service program costs should be recovered via a competitively neutral charge in the distribution utility's transmission rates that are based on energy use. The charge should be assessed equally among all customers without reference to their supplier so no company can lower its price by avoiding its Universal Service responsibility. To address the risk that some customers will leave the distribution utility's facilities entirely, and leave their share of system costs behind, all customers should cover Universal Service costs. Because Universal Service is a public good that benefits all of society, the benefits accrue to all customers and classes. In any event, the costs of Universal Service (even without netting out the offsetting cost reductions) are extremely small per customer in relation to the benefits to society of the universal availability of essential electricity.

Customers will not be denied the chance to obtain competitive supplies if discounts apply only to the distribution utility portion of the bill. It is true that some suppliers have already announced their reluctance to serve low-income customers. However, the discount should make low-income customers more attractive to serve. Suppliers will receive benefits from bill reductions because

the program will increase the affordability of the *entire* bill, not just the distribution utility component. Thus suppliers will get the benefit of customers' improved ability to afford electricity without having to make any direct contributions to that affordability. As an additional incentive to competitive suppliers, the distribution utility should guarantee payment of discounted bills.

As noted above, competition does not bring uniform benefits to all customers, and deregulation does not necessarily lead to lower prices. Even where deregulation results in lower prices for some customers, residential customers may experience price increases. Electricity suppliers may engage in market segmentation and price discrimination. This is a common feature of competitive markets in which sellers price identical products at different prices in different markets. The price variation depends on varying demand characteristics in each market, i.e., what price each market will bear. The telephone and natural gas pricing described above are examples of this.

Market segmentation occurs routinely in unregulated markets. Retail food distribution is a very competitive business in general. However there is much less supply, relative to demand, in many urban low-income neighborhoods. In those places, prices are higher than in, for example, suburban neighborhoods and quality is often lower. Similarly, a soft drink at a Ritz-Carlton Hotel is usually more expensive than at a WalMart. Gasoline at a limited access highway rest stop is generally priced higher than at an urban crossroads with

four corner gas stations. Customers who can shop elsewhere often get the best price.

Competitive market segmentation will have adverse impacts on low-income customers. The experience of previously regulated markets, as well as markets that have not been price regulated, is that captive customers often pay more than others for identical goods and services. This is the way competitive markets ordinarily work. In a competitive electricity marketplace, the largest customers will most likely have the most choices of supplier. Large customers will be most desirable because transaction costs are low and volumes are high. Residential customers are harder to reach, present higher transaction costs, and buy smaller volumes, so there will probably be less competition for their business -- and higher prices. Low-income customers are doubly disadvantaged in such a system because they are harder still to reach and buy even smaller volumes. Furthermore, there may be bias based on race, ethnicity, or income that keeps certain suppliers out of the low-income market. Low-income customers also present real and perceived credit difficulties. Unless low-income customers are specifically protected, electricity prices offered to them will be the highest of all.

Difficulty in navigating the more complicated waters of electricity choice may be an additional barrier to universal service under competition. Ignorance, fear, confusions, lack of education, lack of a simple basis for comparison, high information costs relative to low or unclear benefits, and other factors, can

contribute to a failure of many customers to be able to do meaningful comparison shopping. To the extent this results in at-risk customers purchasing energy that is more expensive than need be, the extra cost will put additional economic pressure on low-income families seeking basic electricity service.

Therefore, there must be a service of last resort available from the utility to everyone. It must be recognized that such a service will be the primary service for many households, including low-income families. Such a service-of-last-resort is sometimes referred to as a default service. Steps must be taken prior to the advent of competition to assure that the price for default service is fair and stable. If, for example, default service is supplied by a spot market, prices may be high because the spot market may only be trading the electricity supply that is left after all other customers have purchased the most desirable supplies. Furthermore electricity spot market prices are inherently volatile. New England Power Pool data show that price swings of 575% are not unusual as fluctuating demand brings higher and lower cost units on line. In Texas, ERCOT data show that the most expensive power is almost 37 times as expensive as the least expensive power. And last summer, shortages led to price spikes in the Upper Midwest as high as $7.50 per kwh.

One way to assure that default customers participate in the benefits of the marketplace may be to require each utility to bid out default service. Since the utility would be the customer, and volumes would be large, default service would probably attract several bidders. To provide price stability, bids should be

for a menu of prices levelized for periods such as a month, a quarter, a half-year, and a year.

Another option that achieves the same objective is a requirement that each utility provide default service at its system average price. If there is a deficiency between this price and the utility's purchase price for power, the difference would be made up pro rata by all suppliers (or all customers) in the marketplace. Since all suppliers would be subject to the same proportionate burden, such a requirement would be competitively neutral.

In summary, all of the above says that electricity is essential to life, health, and participation in the economy and has no practical substitute. Furthermore, unlike most other goods and services sold in low-income communities, one cannot choose to leave the community for an afternoon and shop for it at a suburban mall. Information that is needed to review the Company's provision for its low-income customers includes:

2.1. Please describe the extent to which the Company provides and promotes each of the following mechanisms:

2.1.1. Rate Discounts for Low-Income customers;

2.1.2. Low-Income usage reduction programs that promote efficiency and weatherization;

2.1.3. Additional services to help at-risk customers secure resources to pay their bills and identify options to prevent

termination, including installment payment programs, budget billing, and payment programs such as the federally funded Low-Income Home Energy Assistance Program (LIHEAP), outreach to identify customers eligible for LIHEAP and discount rates, stockholder contributions to fuel funds, and counseling and referral services;

2.1.4. Strong customer service (credit, billing and termination) protections;

2.1.5. Effective, low-cost suppliers of last resort (default service) for residential customers;

2.1.6. In a competitive environment, effective competition for the residential class;

2.1.7. Consumer education, including an information disclosure program; and

2.1.8. A strong universal service policy that is enforced with standards based on measurable requirements.

2.2. Please describe the extent to which the Company will provide and promote each of the eight mechanisms listed in 2.1, above, after the onset of retail competition.

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3. UNBUNDLED AND STANDARD OFFER TARIFFS

3.1. What is the basis for higher fixed costs in Citizen's 1997 proposed Unbundled and Standard Offer Tariffs versus current tariffs?

3.2. The Staff memorandum of 12/22/98 stated that Citizen's unbundled and standard offer rates would be designed to be revenue neutral with no reallocation of revenue responsibility between rate classes. Is that indeed the case?

3.3. Citizen's rate filing was also to include a redistribution of costs among rate classes to achieve a movement of at least 50% of the way toward equalized rates of return. What does this mean for residential consumers now and in the future? Please explain and quantify.

3.4. What does the redistribution of costs mean for all other customer classes now and in the future? Please explain and quantify.

3.5. Page three of the Staff Memorandum includes discussion of a rate phase-in process where no customer will experience a rate increase of greater than 7% in any year. The Company's response to Data Request 1-4 indicates that the Company expects phased in rate increases for residential and some small commercial customers, virtually no change for large commercial users, and significant decreases for some small commercial customers and the largest power users on the Company's system. Clearly,

raising rates of the most vulnerable customers and "mom-and-pop" business owners to finance decreases for larger customers violates any imaginable fairness principal. Further, because the company anticipates a flat customer charge, as opposed to a volumetric charge, those low-income residential customers who tend to use relatively small amounts of power will experience even higher percentage increases than those indicated in the response to the data request. There is no justification for this penalty on the poor.

3.6. Why is the rate increase necessary?

3.7. How many years will the rate increases be in effect?

3.8. A two-tiered price for transmission and distribution service is proposed for residential and Small General Service and will include a customer charge, Head Block, and Tail Block. Describe Head and Tail Block and explain the rationale behind them.

3.9. What are the benefits and costs/risks to residential and small business consumers from the two-tiered price plan?

3.10. Large General Service customers will enjoy a revenue neutral rate redesign to recover lost revenue from conversions to 69kV service. Are there any costs to the system from these conversions and who will pay for them?

3.11. Regarding the equalization of rates between Mohave and Santa Cruz, whose rates go up or will there be a decrease to achieve the equalization?

3.12. Page 19 of Mr. Breen's testimony includes discussion of the Company's support of a CTC rate design that employs flat monthly fees rather than volumetric-based charges. Please indicate what the anticipated per-customer monthly CTC fee would be for each rate class served by the Company. For each rate class, please indicate the percentage of the current average monthly bill that the anticipated CTC fee would represent. Please describe why the Company anticipates higher stranded costs for residential customers leaving the system than for commercial customers leaving the system.

ACAA supports, in theory, including Citizens' low-income programs in the System Benefits Charge. Not having seen any numbers, it is impossible to comment further, at this time.

3.13. Page three of the December 22, 1998 Staff Memorandum regarding CUC's proposed unbundling and standard offer tariffs to the Commission (the Company's Exhibit A) states that the Company's 1999 rate filing will include "the equalization of Residential rates between Mojave and Santa Cruz Counties." Please indicate:

3.13.1 Residential rates charged in each of the respective counties,

3.13.2 The Company's understanding of the ramifications of increased electricity rates on households living below the federally-determined poverty level.

3.14. The discussion on page 19 of Mr. Breen's testimony suggests that small customers will be unfairly disadvantaged through implementation of the Company's proposed stranded cost recovery program. Further, the specter of significant rate increases for small customers during the transition to competition is raised throughout the Company's filing. ACAA wishes to reserve its right to comment further on these elements, as further information becomes available. Further, we note that utility restructuring should result in general rate *decreases* for all customer classes, not in the raising of residential rates to pay for large commercial and industrial reductions. Finally, we note the utility restructuring, absent appropriate safeguards for low-income customers, may result in price increases for these customers that serve to compromise or deny access to necessary service. Accordingly, ACAA hereby respectfully requests that the Company file and Commission approve a rate and program structure that provides each of the elements delineated in 2.1, above.

SUMMARY OF ELECTRICITY LOW-INCOME BILL ASSISTANCE PROGRAMS
National Consumer Law Center
1998

1. Alabama: waive $7.65 monthly customer charge

2. Arizona: discount graduated with consumption higher discount for elderly, 10% - 35% (TEP)

3. California: 15% discount

4. Connecticut: arrearage forgiveness.

5. D.C.: 15% -28% discount

6. Georgia: waive $7.50 customer charge

7. Illinois: 25% discount and arrearage forgiveness (expanded program under development pursuant to statute)

8. Kentucky: percentage of income plan (9% - 11% of income)

9. Maine: percentage of income plan (6% -7.1% of income)

10. Maryland: arrearage forgiveness

11. Massachusetts: 20% - 35% discount

12. Minnesota: 50% discount on 500 kWh per month

13. Mississippi: waive $8.55 customer charge

14. Montana: 10%discount

15. New Hampshire: percentage of income plan (4%- 6%)

16. New Jersey: up to $225 per year ($18.75 per month)

17. New York: arrearage forgiveness or reduced customer charge

18. North Carolina: discount on lifeline use

19. Ohio: percentage of income plan (5% - 15% of income), 7 % discount

20. Pennsylvania: percentage of income (2% - 29%) plan (or 7% - 50% discount

21. Rhode Island: 60%-67% discount on lifeline amount

22. Texas: waive customer charge or discount

23. Washington: 10% - 50% discount

24. West Virginia: 20% winter discount

25. Wisconsin: arrearage forgiveness

Source: National Consumer Law Center, Access to Utility Service, 1998 Supp., Apdx.B. and updating surveys.

Note: Discounts and percentages of income often vary by utility and with level of customer income.

Respectfully submitted this 14th day of June 1999.

By Betty K. Pruitt (kji)
Betty K. Pruitt
Energy Programs Coordinator

Original and ten copies of the foregoing filed this 14th day of JUNE, 1999 in:

Docket Control
ACC
1200 W. Washington
Phoenix AZ 85007

Copies of the foregoing hand-delivered this 14th day of JUNE, 1999 to:

Carl Kunasek
Chairman-Commissioner
ACC
1200 W. Washington
Phoenix, AZ 85007

James M. Irvin
Commissioner
ACC
1200 W. Washington
Phoenix, AZ 85007

Renz Jennings
Commissioner
ACC 1200 W. Washington
Phoenix, AZ 85007

Jerry L. Rudibaugh
Chief Hearing Officer
ACC
1200 W. Washington
Phoenix, AZ 85007

Paul Bullis
Chief Council Legal Division
ACC
1200 W. Washington
Phoenix, AZ 85007

Ray Williamson
Utilities Division Director
ACC
1200 W. Washington
Phoenix, AZ 85007

Copies of the foregoing mailed/delivered this 14th day of JUNE, 1999 to:

Terry Frothun
Arizona State AFL-CIO
5818 N. 7th Street, Suite 200
Phoenix, AZ 85014-5811

Carl Robert Aron
Itron, Inc.
2818 N. Sullivan Road
Spokane, WA 99216

Stan Barnes
Copper State Consulting
100 W Washington Ste 1415
Phoenix, AZ 85003

A.B. Baardson
Nordic Power
4281 N. Summerset
Tucson, AZ 85715

William D. Baker
Electric District No. 6
P.O. Box 16450
Phoenix, AZ 85011

Andrew Bettwy
Southwest Gas Corporation
5241 Spring Mountain Rd.
Las Vegas NV 89102

Michael Block
Goldwater Institute
201 North Central Ave.
Phoenix AZ 85004

Steve Brittle
Don't Waste Arizona, Inc.
6205 S. 12th Street
Phoenix, AZ 85040

Barbara S. Bush
Coalition Responsible Energy
315 W. Riviera Drive
Tempe, AZ 85252

Bradley Carroll
Tucson Electric Power
P.O. Box 711
Tucson AZ 85702

Continental Divide Electric Corp.
P.O. Box 1087
Grants, NM 87020

Columbus Electric Corp
P.O. Box 631
Deming, NM 88031

C. Webb Crockett
Fennemore Craig
3003 North Central Ave.,
Suite 2600
Phoenix AZ 85012

Michael Curtis
Martinez & Curtis, P.C.
2712 North 7th St.
Phoenix AZ 85006

Carl Dabelstein
2211 E. Edna Ave
Phoenix, AZ 85022

Suzanne Dallimore
Antitrust Unit Chief
1275 W. Washington
Phoenix AZ 85007

Sam Defraw
Department of Navy
Naval Facilities Engineering Command
200 Stovall Street Rm.10S12
Alexandria, VA 22332

Dixie Escalante Rural Electric Association
CR Box 95
Beryl, UT 84714

Jim Driscoll
Arizona Citizen Action
2430 S. Mill, Ste. 237
Tempe, AZ 85282

Joe Eichelberger
Magma Copper Company
P.O. Box 37
Superior, AZ 85273

Norman Furuta
Naval Facilities Engineering
900 Commodore Dr., Bldg 107
San Bruno CA 94066

Garkane Power Association, Inc.
P.O. Box 790
Richfield, UT 84701

Rick Gilliam
Land and Water Fund of the Rockies
2260 Baseline Rd., Suite 200
Boulder CO 80302

Peter Glaser
Doherty, Rumble & Butler
1401 New York Ave., N.W., Suite 1100
Washington, D.C. 20005

Barbara Goldberg
Office of the City Attorney
3939 Civic Center Blvd.
Scottsdale AZ 85251

Michael Grant
Gallagher & Kennedy
2600 North Central Ave.
Phoenix AZ 85004

Barry N. Huddleston
Regional Manager, Regulatory Affairs
Destec Energy
2500 City West Blvd. Ste 150
Houston, TX 77042

Vinnie Hunt
City of Tucson
4004 South Park Ave., Building 2
Tucson AZ 85714

Russell E. Jones
Cavanaugh Molloy Jones
P.O. Box 2268
Tucson AZ 85702

Robert Julian
PPG
1500 Merrell Lane
Belgrade, MT 59714
Chris King
Vice President
CellNet Data Systems, Inc.
San Ramon, CA 94583

Barb Klemstine
APS Law Department
P.O. Box 53999
Mesa, AZ 85072

Rick Lavis
Arizona Cotton Growers Association
4139 E. Broadway Road
Phoenix, AZ 85040

John Jay List
National Rural Utilities Coop. Finance Corporation
2201 Cooperative Way
Herndon, VA 21071

Robert Lynch
340 E Palm Lane Ste 140
Phoenix AZ 85004

Craig A. Marks
Citizens Utilities Company
2901 N. Central Ave., Suite 1660
Phoenix, AZ 85012-2736

Roderick McDougall
City Attorney
200 W. Washington, Suite 300
Phoenix AZ 85003

Larry McGraw
USDA-RUS
6266 Weeping Willow
Rio Rancho, NM 87124

Walter Meek
Arizona Utilities Investors
P.O. Box 34805
Phoenix AZ 85067

Steve Montgomery
Johnson Controls
2032 W. 40th Street
Tempe, AZ 85781

Doug Nelson
7000 N. 16th St., Suite 120-307
Phoenix AZ 85020

Greg Patterson
RUCO
2828 N Central Ave Ste 1200
Phoenix AZ 85004

Wayne Retzlaff
Navopache Electric Coop.
P.O. Box 308
Lakeside, AZ 85929

Lawrence Robertson
Munger Chadwick, PLC
333 North Wilmot, Suite 300
Tucosn AZ 85711

Terry Ross
Center for Energy and Economic Development
7853 E. Arapaho Ct Ste 2600
Englewood CO 80112

Michael Rowley
C/O Calpine Power Svcs
50 W. San Fernando Ste 550
San Jose, CA 95113

Myron Scott
1628 E. Southern Ave., No. 9-328
Tempe AZ 85282

Lex J. Smith
Michael W. Patten
Brown & Bain, P.C.
P.O. Box 400
Phoenix AZ 85001-0400

Albert Sterman
Arizona Consumers Council
2849 E. 8th St.
Tucson AZ 85716

Stephen L. Teichler
Duane, Morris & Heckscher
1667 K Street, NW, Ste 700
Washington, D.C. 20006

Wallace F. Tillman
Susan N. Kelly
National Rural Electric Coop. Association
4301 Wilson Blvd.
Arlington, VA 22203-1860

Timothy Michael Toy, Esq.
Winthrop, Stimson, Putnam & Roberts
One Battery Park Plaza
New York, NY 10004-1344

John T. Travers
William H. Nau
272 Market Square, Ste 2724
Lake Forest, IL 60045

Steve Wheeler
Snell & Wilmer
400 E. Van Buren St.
Phoenix AZ 85004

Jessica Youle
SRP
PAB 300 P.O. Box 52025
Phoenix AZ 85072

Knox Kimberly
Streich Lang
2 North Central Avenue
Phoenix, AZ 85004

Clara Peterson
AARP
HC 31, Box 977
Happy Jack, AZ 86024

William Baker
Electrical District No. 6
PO Box 16450
Phoenix, AZ 85011

Elizabeth S. Firkins
International Brotherhood Of Electrical Workers, L.U. # 1116
750 S. Tucson, Blvd.
Tucson, AZ 85716-5698

Bradford A. Borman
PacifiCorp
201 S. Main, Suite 2000
Salt Lake City, Utah 84140

Timothy M. Hogan
Arizona Center For Law in the Public Interest
202 E. McDowell Rd Ste 153
Phoenix, AZ 85004

Marcia Weeks
18970 N. 116th Lane
Surprise, AZ 85374

Stephanie A. Conaghan
Duane,Morris & Heckscher
1667K Street N.W., Suite 700
Washington, DC 20006-1608

Billie Dean
AVIDD
PO Box 97
Marana, AZ 85652-0987

Ramond B. Wuslich
Winston & Strawn
1400 L Street, NW
Washington, DC 20005

Steven C., Gross
Porter Simon
40200 Truckee Airport Road
Truckee, California 96161

Donald R. Allen
John P. Coyle
Duncan & Allen
1575 Eye Street NW Ste300
Washington. DC 20005

Ward Camp
Thaser Advance Metering Services
Alvarado Square
Mail Stop SIM9
Albuquerque, NM 87158

Thane T. Twiggs
Idaho Power Company
PO Box 70
Boise, Idaho 83707

Libby Brydolf
California Energy Markets Newsletter
2419 Bancroft Street
San Diego, CA 92104

Paul W. Taylor
R W Beck
2201 E. Camelback Rd. Suite 115-B
Phoenix, AZ 85016-3433

Jay I. Moyes
Meyer Hendricks Bivens & Moyes PA
3003 N. Central Ave., Suite 1200
PO Box 2199
Phoenix, AZ 85001-2199

Kathy T. Puckett
Shell Oil Company
200 N. Dairy Ashford
Houston, TX 77079

Andrew N. Chau
Shell Energy Services CO.
1221 Lamar, Suite1000
Houston, Texas 77010

Peter Q. Nyce, Jr.
Department of Arm 7
901 N. Stuart Street
Arlington, VA 22203

Arizona Reporting Service
2627 N. 3rd Street, Suite 3
Phoenix, AZ 85004

Milton D. & Joan Stewart
The Small Business High Technology Institute
346 W. Georgia Ave.
Phoenix, AZ 85013

Jerry Oppenheim
Attorney and Analyst
NCLC
18 Tremont Street #400
Boston, MA 02108

By: Betty K. Pruitt (KJL)
Betty K. Pruitt
Energy Programs Coordinator