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IN THE MATTER OF THE STRANDED) DOCKET NO. E-01787A-98-0465
COST FILING AND REQUEST FOR A)
WAIVER OF CERTAIN PORTIONS OF)
THE RULES FILED BY NAVOPACHE)
ELECTRIC COOPERATIVE, INC.)

IN THE MATTER OF THE STRANDED) DOCKET NO. E-01461A-98-0466
COST FILING AND REQUEST FOR A)
WAIVER OF A.A.C. R14-2-1607D FILED)
BY TRICO ELECTRIC COOPERATIVE, INC.)

IN THE MATTER OF THE STRANDED) DOCKET NO. E-01750A-98-0467
COST FILING AND REQUEST FOR A)
WAIVER OF CERTAIN PORTIONS)
OF THE RULES FILED BY MOHAVE)
ELECTRIC COOPERATIVE, INC.)

IN THE MATTER OF THE STRANDED) DOCKET NO. E-01749A-98-0468
COST FILING AND REQUEST FOR A)
WAIVER OF CERTAIN PORTIONS OF)
THE RULES FILED BY GRAHAM)
COUNTY ELECTRIC COOPERATIVE, INC.)

IN THE MATTER OF THE STRANDED COST) DOCKET NO. E-01703A-98-0469
FILING AND REQUEST FOR A WAIVER)
OF CERTAIN PORTIONS OF THE RULES)
FILED BY DUNCAN VALLEY ELECTRIC)
COOPERATIVE, INC.)

IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01773A-98-0470
OF ARIZONA ELECTRIC POWER)
COOPERATIVE, INC. FOR APPROVAL OF)
ITS FILING AS TO REGULATORY)
ASSETS AND TRANSITION REVENUES)

ATTORNEY GENERAL'S RESPONSE TO STAFF REPORT

1 IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01933A-98-0471
2 OF TUCSON ELECTRIC POWER COMPANY)
3 FOR APPROVAL OF ITS PLAN FOR)
4 STRANDED COST RECOVERY AND FOR)
5 RELATED APPROVALS, AUTHORIZATIONS)
6 AND WAIVERS.)

5 IN THE MATTER OF THE STRANDED COST) DOCKET NO. E-01575A-98-0472
6 FILING AND REQUEST FOR A WAIVER)
7 OF CERTAIN PORTIONS OF THE RULES)
8 FILED BY SULPHUR SPRINGS VALLEY)
9 ELECTRIC COOPERATIVE, INC.)

8 IN THE MATTER OF THE STRANDED) DOCKET NO. E-01345A-98-0473
9 COST COMPLIANCE FILING OF)
10 ARIZONA PUBLIC SERVICE COMPANY.)

11 IN THE MATTER OF THE FILING OF) DOCKET NO. E-01032C-98-0474
12 THE STRANDED COST OPTIONS AND)
13 IMPLEMENTATION PLAN OF CITIZENS)
14 UTILITIES COMPANY.)

14 The Attorney General hereby files his response to the Staff Report filed in the above-
15 captioned proceedings on November 13, 1998 pursuant to the Procedural Order entered in the
16 above-captioned matters dated October 16, 1998:

17 CITIZENS UTILITIES COMPANY
18 DOCKET NO. E-01032C-98-0474

19 The Attorney General objects to the methodology proposed for the Interim Stranded Cost
20 charge. Based on preliminary calculations and other market information, it appears that the
21 recommended Market Generation Credit provides insufficient incentives to lure meaningful
22 competition. Moreover, it is unclear whether Citizen's "embedded generation costs" does or does
23 not include future market development costs that are not part of regulated generation and not
24 properly stranded costs. During the interim, before divestiture, the value of the power contract
25 should be fixed by appraisal and the appraisal value used to calculate stranded costs. That number,
26 plus the "reasonable" costs of divestiture should be used in the Interim Stranded Cost, rather than

1 the problematic market index approach.

2 The Attorney General agrees that there should be more than one bidder for the Citizen's
3 power contract, and submits that the competitive flaw identified in the single-bidder scenario is the
4 same flaw that exists in the TEP/APS asset trade divestitures. In a multiple-bidder, non-collusion
5 situation, the Commission should take the next highest bid if the highest bidder is disqualified.
6 The unfinished generation plant should also be auctioned.

7 The Attorney General continues to object to "new functions" of any kind being included in
8 stranded costs. The testimony in the stranded cost hearings made it clear that "going forward"
9 costs are no longer guaranteed once competition begins. However, if Citizens can actually net a
10 positive sum from auctioning its power-supply portion of its CC&N, and the sum would reduce
11 stranded costs, then Citizen's proposal to keep half the sum makes sense. Allowing Citizens to
12 keep some portion gives the company incentives to net the highest possible price. The
13 Commission should consider that facilitating open competition sooner by reducing the longer-term
14 transition charges nets a consumer benefit of considerable value.

15 ARIZONA ELECTRIC POWER COOPERATIVE, INC.
16 DOCKET NO. E-01773A-98-0470

17 The Attorney General agrees that any Commission approval of AEPCO stranded costs is
18 premature and unwarranted.

19 TRICO ELECTRIC COOPERATIVE, INC.
20 DOCKET NO. E-01461A-98-0466

21 MOHAVE ELECTRIC COOPERATIVE, INC.
22 DOCKET NO. E-01750A-98-0467

23 GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
24 DOCKET NO. E-01749A-98-0468

25 DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.
26 DOCKET NO. E-01703A-98-0469

...
NAVOPACHE ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01787A-98-0465

1 SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
2 DOCKET NO. E-01575A-98-0472

3 The Attorney General has no objection to postponing these Cooperatives' stranded costs
4 filings but does object to their request for subsequent proceedings for "distribution" stranded costs
5 to the extent the Cooperatives seek some type of retail charge for distribution-related costs. If the
6 Cooperatives intend to claim distribution costs only as part of distribution rates, the Attorney
7 General does not object.

8 ARIZONA PUBLIC SERVICE COMPANY
9 DOCKET NO. E-01345A-98-0473

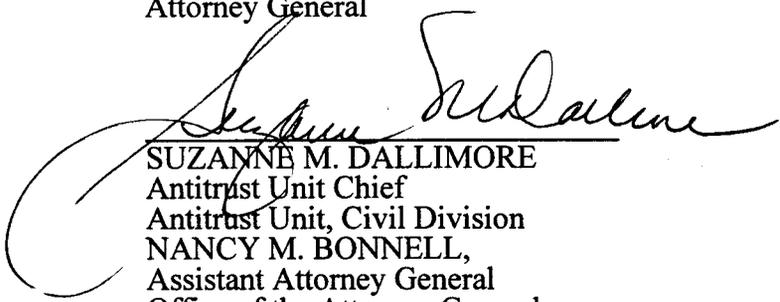
10 The Attorney General has objections to the settlement agreement between the Staff and
11 APS filed November 5, 1998. The Attorney General will raise those objections in the consolidated
12 docket incorporating APS's stranded cost filing.

13 TUCSON ELECTRIC POWER COMPANY
14 DOCKET NO. E-01933A-98-0471

15 The Attorney General has objections to the settlement agreement between the Staff and
16 TEP filed November 5, 1998. The Attorney General will raise those objections in the consolidated
17 docket incorporating TEP's stranded cost filing.

18 RESPECTFULLY SUBMITTED this 24th day of November, 1998.

19 GRANT WOODS
20 Attorney General

21 
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