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THE ARIZONA CORPORATION COMMISSION

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2 CARL J. KUNASEK  
3 CHAIRMAN  
4 JIM IRVIN  
5 COMMISSIONER  
6 WILLIAM MUNDELL  
7 COMMISSIONER

8 IN THE MATTER OF NOTICE OF PROPOSED  
9 RULEMAKING FOR THE ENVIRONMENTAL  
10 PORTFOLIO STANDARD.

DOCKET NO. RE-00000C-00-0377

**CITIZENS COMMUNICATIONS  
COMPANY'S COMMENTS**

11 Citizens Communications Company ("Citizens") hereby provides its  
12 comments concerning a proposed new section to the Arizona Corporation  
13 Commission Retail Electric Competition Rules (A.A.C. R14-2-1601 et seq.)  
14 entitled the Environmental Portfolio Standard, to be numbered as A.C.C. R14-2-  
15 1618. After reading the recommendations of the Commission Staff in the report  
16 filed with the Commission on July 14, 2000, Citizens was under the erroneous  
17 belief that comments were to be filed in this Docket by October 13, 2000.  
18 However, according to the Hearing Officer's Procedural Order issued on August 9,  
19 2000, the correct filing deadline was October 5<sup>th</sup>. Citizens apologizes for this  
20 oversight and respectfully requests that full consideration be given to the  
21 accompanying comments, including the various recommendations and requests  
22 for clarification.

**I. UTILITY OWNERSHIP OF GENERATING RESOURCES**

23 The provisions of R14-2-1618 appear to only apply to Electric Service  
24 Providers ("ESPs") that sell electricity. In the Competition Rules, ESPs are  
25 defined as any company offering competitive services. In turn, generation is  
26 included among competitive services. Therefore, utility ownership of renewable  
27 generation resources would also be considered competitive services. No  
28 exceptions are provided under the Competitive Rules for utility ownership of  
29 distributed generation like solar generation or solar power.

1 Including generating ESPs is consistent with the language of R14-2-1618  
2 D.2 and 3, and R14-2-1618 K. These Environmental Friendly Portfolio Standard  
3 ("EFPS") Rules require an accounting and reporting of detailed construction costs  
4 for purposes of meeting EFPS requirements. The detailed nature of the  
5 information required, including in-state content as a percentage of total costs and  
6 amounts financed or invested through direct contributions, could be reasonably  
7 obtained only from the party owning the facilities. Furthermore, R14-2-1618.I  
8 states that "any Electric Service Provider or independent solar electric generator  
9 that produces or purchases any solar kWh in excess of its annual portfolio  
10 requirements may save or bank those excess solar kWh for use or sale in future  
11 years." This statement indicates that an Electric Service Provider may in fact own  
12 electric generation assets meeting the EFPS.

13 For the EFPS to be successful, it is important that generating ESPs be  
14 subject to the Environmental Portfolio Standard Rules.

## 15 **II. COLLECTION OF THE ENVIRONMENTAL SURCHARGE**

16 R14-2-1618 A.2 provides for the partial recovery of the EFPS costs by  
17 means of a custom Environmental Portfolio Surcharge on a customer's monthly  
18 bill. It is noteworthy that the rule specifically identifies Utility Distribution  
19 Companies when addressing the use of existing utility distribution company  
20 charges to finance a portion of the portfolio, but carefully omits this reference  
21 when addressing the recovery of the \$0.00085 per-kWh surcharge. Citizens does  
22 not believe this to be an inadvertent omission. The surcharge as it applies to the  
23 retail electricity sales should be defined as applying to the generation portion of  
24 the transaction in a competitive environment. A concomitant obligation of all  
25 ESP's participating in the EFPS should be the collection and use of these  
26 customer-provided funds.

27 There are several factors supporting Citizens' position. First, it is  
28 consistent, fair, and reasonable for every ESP participating in the EFPS program  
29 to directly collect from its generation customers the costs of providing

1 environmentally friendly power supply costs from those customers. Second,  
2 there is no reason to introduce the utility distribution company into the middle of  
3 the generation transaction between an ESP and a customer, particularly when the  
4 utility distribution company is not offering the service for which the  
5 Environmental Portfolio Surcharge is being applied, i.e. power supply. Third, the  
6 costs to a utility distribution company of collecting and accounting for the funding  
7 to be transferred to another ESP would be substantial. Fourth, it would be  
8 necessary for the UDC to monitor if the ESP is voluntarily participating in the  
9 EFPS prior to 2004 to determine if the ESP or the UDC should be retaining the  
10 surcharge revenue. Fifth, by requiring ESPs to assume responsibility for  
11 collection of the Environmental Portfolio Surcharge, the UDC can avoid issues  
12 relating to pro-ration of the charge in cases of partial payment or bad debts.  
13 Such issues would otherwise almost certainly introduce disagreement regarding  
14 whether the UDC or the ESP receives the amounts collected and a host of other  
15 issues relating to collection of accounts.

16 For these reasons, Citizens believes that the only fair and reasonable  
17 interpretation of R14-2-1618 A.2 is that the UDC would charge the Environmental  
18 Portfolio Surcharge to its Standard Offer customers and the participating ESP  
19 would apply the charge to its customers. This approach would be simple to  
20 implement, free from controversy, fair to all parties, and consistent with the  
21 responsibility to meet EFPS renewable resource requirements.

### 22 **III. PARTICIPATION IN EFPS BY ESPS**

23 R14-2-1618.A requires "any Electric Service Provider selling electricity or  
24 aggregating customers for the purpose of selling electricity under the provisions  
25 of this Article must derive at least 0.2% of the total retail energy sold from new  
26 solar resources or environmentally-friendly renewable electricity technologies,  
27 whether that energy is purchased or generated by the seller." R14-2-1618 A.1.  
28 further specifies that "Competitive ESPs, that are not UDCs, are exempt from  
29 portfolio requirements until 2004, but could voluntarily elect to participate. ESPs

1 choosing to participate would receive a pro rata share of funds collected for  
2 portfolio purposes to acquire eligible portfolio systems or electricity generated  
3 from such systems.”

4 Citizens believes that ESPs that elect to voluntarily participate in the  
5 portfolio requirements should do so with all attendant obligations and benefits.  
6 That is, Citizens believes that ESPs that elect to voluntarily participate in the  
7 portfolio requirements should satisfy the percentage of total retail energy sales  
8 specified in R14-2-1618 and, in so doing, are entitled to collect from their retail  
9 customers the Environmental Portfolio Charge of \$0.00875 per-kWh. Customers  
10 who move from one participating ESP to another participating ESP, or from a  
11 participating ESP to a UDC, or from a UDC to a participating ESP cause the  
12 responsibility for meeting the specified EFPS percentage of energy sales to move  
13 with them and should do so with no retroactive true-up of funding. Similarly, the  
14 new energy provider would also receive the revenue on a going forward basis  
15 from the Environmental Portfolio Charge. Further, no pro-rata share of any  
16 shareholder contributions should be transferred from the UDC to the ESP at any  
17 time.

18 A consistent corollary to this line of reasoning relates to the obligations and  
19 collections that result from a customer’s movement from a UDC or participating  
20 ESP to a non-participating ESP. In such a case, Citizens interprets the rule as  
21 meaning that the non-participating ESP is under no obligation to meet the  
22 renewable resource requirements of the EFPS and has no collateral right to collect  
23 the Environmental Portfolio Charge. However, Citizens is concerned that if the  
24 UDC is obligated to assume this responsibility until the ESP is required to  
25 participate, Citizens could be procuring an amount of renewable resources in  
26 excess of the amounts required by R14-2-1618 until 2004. Once the ESP’s are  
27 obligated to participate, the UDC standard offer customers could be solely liable  
28 for the costs related to the resources procured to satisfy the requirements for a  
29 much larger customer base that will then be covered by the ESP’s requirements.

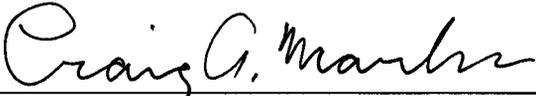
1 **IV. SURCHARGE RATE**

2 R14-2-1618 states "There will be a surcharge cap of \$13 per month per  
3 meter or per service if no meter is used for all non-residential customers, except  
4 for those non-residential customers whose meter's registered demand is 3000-  
5 kW or more for 3 consecutive months, who will be subject to a surcharge cap of  
6 \$39.00 per month per meter." It is not clear if Dusk-to-Dawn lighting accounts  
7 were considered in this section of the rules. A \$13.00 per light charge for  
8 commercial lighting would significantly impact street lighting customers. The  
9 kWh required to operate Dusk-to-Dawn lighting is minimal and eliminating the  
10 surcharge on these accounts should not significantly impact the ability of Arizona  
11 to implement a successful Environmental Portfolio Standard program. Citizens  
12 would encourage a provision in the rule to exclude Dusk-to-Dawn lighting from  
13 the surcharge applicability.

14 **IV. SUMMARY**

15 As indicated above, there are certain elements of the proposed Rule for the  
16 Environmental Portfolio Standard that Citizens believes are ambiguous or appear  
17 to be inconsistent with other Electric Competition Rules. Citizens respectfully  
18 request the consideration of our comments and recommendations presented in  
19 this filing.

20 RESPECTFULLY SUBMITTED on October 13, 2000.

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