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MEMORANDUM

TO: Docket Control

AZ CORP COMMISSION
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FROM: Deborah R. Scott
Director
Utilities Division

DATE: April 6, 2001

RE: IN THE MATTER OF THE ARIZONA CORPORATION COMMISSION
REVISING THE RULES FOR ELECTRIC UTILITIES AND RETAIL ELECTRIC
COMPETITION (DOCKET NO. RE-00000C-00-0275)

On July 25, 2000 (Decision No. 62748), the Commission began a rulemaking process to revise the rules for Electric Utilities and Retail Electric Competition. On August 25, 2000, Arizona Electric Power Cooperative, Inc., Duncan Electric Cooperative, Inc., and Graham County Electric Cooperative, Inc. (collectively the "Co-ops") filed comments on the proposed rule revisions. On September 7, 2000, Staff filed its responsive comments. Staff did not recommend that the Commission adopt two of the Co-ops' comments.

On October 10, 2000, the Commission entered Decision No. 62924, revising the rules for Electric Utilities and Retail Electric Competition. Decision No. 62924 also ordered the Director of the Utilities Division to institute procedures to comply with the Commission's concerns with the issues raised by the Co-ops and submit a report to the Commission within 180 days of the effective date of the Decision. This attached Staff Report constitutes such report.

DRS/bk

Originator: Barbara Keene

Attachment: Original and Ten Copies

Arizona Corporation Commission

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STAFF REPORT

Outstanding Issues Related to Rules for Retail Electric Competition (Docket No. RE-00000C-00-0275)

1. INTRODUCTION.

On July 25, 2000 (Decision No. 62748), the Commission began a rulemaking process to revise the rules for Electric Utilities and Retail Electric Competition. On August 25, 2000, Arizona Electric Power Cooperative, Inc., Duncan Electric Cooperative, Inc., and Graham County Electric Cooperative, Inc. (collectively the "Co-ops") filed comments on the proposed rule revisions. On September 7, 2000, Staff filed its responsive comments. Staff did not recommend that the Commission adopt two of the Co-ops' comments because in Staff's opinion they were substantive changes that would necessitate additional public comment. On October 10, 2000, the Commission entered Decision No. 62924, revising the rules for Electric Utilities and Retail Electric Competition. Finding of Fact No. 10 of the Decision states:

We believe that the comments raised by the Co-ops concerning R14-2-1612(L)(9) and (10) and R14-2-1606 and 1612, require further consideration, and that the Director of the Utilities Division, or the Director's designee, should add these issues to the agendas of established working groups or devise an alternative methodology for studying the issues and should submit a report to the Commission with recommendations concerning these issues.

Decision No. 62924 ordered the Director of the Utilities Division to institute procedures to comply with the Commission's concerns set forth in Finding of Fact No. 10 and submit a report to the Commission within 180 days of the effective date of the Decision. This Staff Report constitutes such report.

2. Maintenance and Ownership of Metering Equipment and Current/Potential Transformers.

R14-2-1612(L)(9) states, "Maintenance and servicing of the metering equipment (including Current Transformers and Potential Transformers) will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider." The Co-ops had suggested that the rule be revised such that the maintenance and servicing of equipment for distribution primary voltage services be limited to the Affected Utility or Utility Distribution Company. The Electric Service Provider would only be allowed to provide maintenance and servicing of the equipment for secondary voltage services under 600 volts.

R14-2-1612(L)(10) states, "Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, Utility Distribution Company or the Electric Service Provider." The Co-ops had suggested that the Electric Service Provider not be allowed to own these transformers.

A Current Transformer (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes. A Potential Transformer (VT) is an electrical device used to step down primary voltage to 120 volts for metering purposes. The Process Standardization Working Group (PSWG) has discussed the issue of ownership and maintenance of CTs and PTs and does not recommend a change to the rules. The rules indicate who may own CTs and PTs, but there is no consensus among the parties as to who will own them. For example, one Utility Distribution Company (UDC) wants to own and maintain the CTs/PTs; another UDC does not want to own or maintain them. The rules as written allow flexibility.

3. Inconsistency Between the Definition of "Noncompetitive Services" and the Classification of Transmission as Competitive in Tariff and Billing Elements.

The definition of "Noncompetitive Services" in R14-2-1601(30) includes transmission. However, in R14-2-1606(C)(2) and R14-2-1612(O), transmission services is listed under the heading of "Competitive Services." The Co-ops had suggested that transmission services be moved from under the heading of "Competitive Services" and be placed under the heading of "Non-Competitive Services" in R14-2-1606(C)(2) and R14-2-1612(O).

PSWG has reviewed the inconsistency and has recommended that the headings of "Competitive Services" and "Non-Competitive Services" be deleted from R14-2-1606(C)(2) and R14-2-1612(O). The headings are not needed and do not appear on actual tariffs and bills.

4. Conclusion.

Staff recommends that no change be made to the rules in regard to the ownership and maintenance of CTs and PTs. Staff recommends that the headings of "Competitive Services" and "Non-Competitive Services" be deleted from R14-2-1606(C)(2) and R14-2-1612(O). This change should occur if the Commission were to begin a rulemaking process to revise the Retail Electric Competition rules. Staff does not recommend that the Commission begin a rulemaking process at this time.