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BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

November 19, 2001

Chairman William Mundell
Commissioner Marc Spitzer
1200 W. Washington St.
Phoenix, Arizona 85007

Re: Arizona Independent Scheduling Administrator (AISA)
Docket No. E-00000A-01-0630

Dear Colleagues:

I have read the November 2001 Staff Report on the above referenced matter. I believe that this report succinctly outlines many of the issues surrounding the AISA, as well as the general positions taken by various stakeholders and interested parties. There is one issue, however, which I would like to raise at this time so that the Commission may consider it at any future proceeding.

On March 16, 2001, the Federal Energy Regulatory Commission filed its order denying our request for rehearing on the AISA's filing. Specifically, our Commission had requested clarification concerning the nature of Standard Offer customers, and whether their service (by incumbent UDCs) would remain a *bundled* service. In denying our request, the FERC determined that – by virtue of the existence of an ISA in Arizona, as well as electric competition rules which provide for retail access as of January 1, 2000 – all transactions administered by the AISA falls under the exclusive jurisdiction of the FERC.

Obviously, I am concerned about giving up state jurisdiction over such transmission issues and their effect of our Constitutional mandate. Absent functional markets and any real choice for retail consumers in Arizona, the FERC's retention of exclusive jurisdiction in this area becomes somewhat misplaced. In its Order denying the ACC's request for rehearing, the FERC writes:

“...once a state commission adopts a system where generation service is available as a separate product, the transmission service is within this Commission's exclusive jurisdiction under the Federal Power Act. Thus, the Commission has maintained that where, as here, *the customer has choice* and the products are sold separately, the jurisdictional lines change regardless of whether the customer chooses to purchase from the entity that also provides delivery service or chooses initially or from time to time to go with a different supplier.” [emphasis added]

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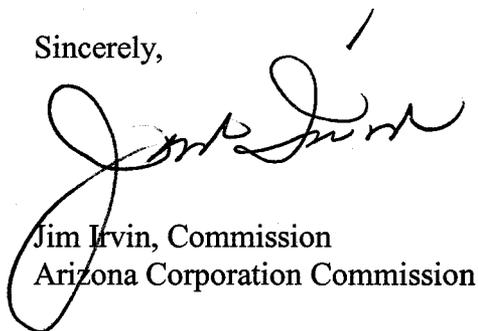
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Unfortunately, Arizona's retail consumers are far from having any real choice in energy suppliers at this time. With the recent Arizona Public Service (APS) filing requesting a variance from our rules, it will be important that the Commission remain cognizant of the FERC's position concerning transmission service of incumbent UDC's to their standard offer customers. Certainly, the debate surrounding the continuance of the AISA encompasses a much wider spectrum of issues – some of which may be addressed in other filings.

Thank you for your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Irvin". The signature is fluid and cursive, with a large loop at the beginning and a long tail that extends downwards and to the left, crossing under the main body of the signature.

Jim Irvin, Commission
Arizona Corporation Commission

Cc: Docket Control