



The Power To Make It Happen

ORIGINAL



0000112702

Alan Propper  
Director  
Pricing & Regulation

Tel 602/250-3148  
Fax 602/250-3399

Mail Station 9909  
P.O. Box 53999  
Phoenix, AZ 85072

August 16, 1999

Arizona Corporation Commission

DOCKETED

AUG 16 1999

Jerry Rudibaugh  
Chief Hearing Officer  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, AZ 85007

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AZ CORP COMMISSION  
DOCUMENT CONTROL

1999 AUG 16 P 2:14

RECEIVED

Re: *Hearing Officer Exhibit No. 1; Staff Comments of August 6, 1999; and Staff Letter of August 10, 1999*

Dear Mr. Rudibaugh:

On August 9, 1999, APS filed an Informational Unbundled Standard Offer bill in the above dockets using the format requested by you in Hearing Officer Exhibit No. 1. I indicated in the cover letter that APS had circulated a draft of the bill on August 3<sup>rd</sup> and had requested comments by Friday, August 6, 1999. I further indicated that I had received comments only from PG&E Energy Services, Commonwealth Energy and RUCO. I have since learned that Commission Staff had E-mailed comments to me on Friday, August 6, 1999. I was not in the office at the time, and the E-mail had come in on the APS internal system and thus was believed by my secretary to have come from an APS employee and not the Commission. Therefore, the E-mail was left unopened. Moreover, I was still unaware of and had not reviewed Mr. Wallace's comments at the time APS filed the Revised AP-1R on Monday. APS has subsequently discussed these comments with Staff counsel and agreed to send you a supplemental letter indicating the Company's position on such comments.

My discussion of the two Staff letters has been purposely separated because I did not wish the Company's strong disagreement with the August 10<sup>th</sup> letter to obscure our many areas of agreement with Staff concerning its August 6<sup>th</sup> comments.

I. STAFF COMMENTS OF AUGUST 6, 1999

**Staff Comment No.1**

Staff argues that using avoided cost credits rather than fully embedded costs for revenue cycle services such as metering, meter reading and billing was inappropriate and that it would "mislead" customers concerning the "cost" of such services. This is merely a continuation of the underlying disagreement between Staff and the Company as to the relevant "cost" for purposes of both pricing and providing credits for these services – avoided or embedded. APS does agree that the Informational Unbundling of these services for Standard Offer service (if required at all) should mirror their treatment by the Commission for purposes of setting Direct Access rates.<sup>1</sup>

**Staff Comment No. 2**

As I indicated in my letter of August 9<sup>th</sup>, RUCO had also raised this issue. APS acknowledges this as a valid concern and has proposed some additional language to the Informational Unbundling shown in Second Revised AP-1R (attached) that clearly indicates that the "shopping credit" includes any applicable taxes and regulatory assessments. Further, I note that Second Revised AP-1R shows both the taxes and regulatory assessment due on the total Standard Offer bill (page 1), and the taxes and regulatory assessment attributable to the non-generation portion of the bill (page 2). A simple subtraction would tell the customer precisely how much of the "shopping credit" was attributable to these items for any specific bill.

**Staff Comment No. 3**

We agree that attempts to divide the generation component into demand and energy are both arbitrary and confusing. We had noted in the August 3<sup>rd</sup> letter to you and the parties our disagreement with this aspect of the format in Hearing Officer Exhibit No. 1, but felt constrained by your directions to make a good faith attempt at such a split into kW and kWh charges. Second Revised AP-1R reflects a total generation amount without any attempted imputation between demand and energy.

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<sup>1</sup> I would also note that APS has, subsequent to its August 9<sup>th</sup> filing, received additional comments on this issue from Chris King of *Utility.Com*. Mr. King opposes showing revenue cycle services as separate line items and instead suggests that they be included in the distribution charge with explanatory language indicating that the distribution charge includes metering, meter reading and billing services for which the customer will receive credits if any or all of such services are provided through the customer's ESP.

**Staff Comment No. 4**

If applied to the total generation "shopping credit", APS agrees that the use of the word "typical" could be misleading. What APS was trying to convey was that the attempted split of generation into energy and demand components was based on the load profile of a "typical" customer of that class and not that the overall "shopping credit" was "typical." In any event, the change proposed in Staff Comment No. 3 and concurred with by the Company has mooted this issue. Second Revised AP-1R deletes the adjective "typical."

**Staff Comment No. 5**

APS disagrees with any implication that it was attempting to "exaggerate" the "shopping credit." The purpose of both the original AP-1R and Revised AP-1R was to demonstrate an Informational Unbundling bill format and not to suggest any specific level of "shopping credit." Nevertheless, APS does agree that the "Standard Offer" rate shown in the exhibit should, to be consistent with the Direct Access rate components to which it is being compared, reflect the first 1.5% decrease called for under the Agreement. Second Revised AP-1R makes this adjustment to each of the three illustrative examples.

II. STAFF LETTER OF AUGUST 10, 1999

Staff's letter to you dated August 10, 1999 goes far beyond your instructions to the parties, and APS strongly urges the Hearing Officer to reject what is little less than an attempt to reopen and continue the hearing. Such letter is an improper response to your request regarding Hearing Officer Exhibit No. 1 in at least three respects.

First, Staff has apparently attempted to unbundle the Standard Offer rate itself rather than just the bill. This is in direct contradiction of your own Procedural Order dated July 22, 1999. As it is, Staff's rate unbundling methodology is specific to the three Standard Offer rates shown in Second Revised AP-1R. It is not transferable to any of APS' 50 some other Standard Offer rates. Individual Direct Access rates and CTCs would have to be developed for each of these other rates. Additionally, Staff's analysis has misapplied the Rate E-32 block expander, thus causing Staff to understate the effective demand charge for Rate E-32 and leading Staff to the erroneous conclusion that lower load factor customers have lower "shopping credits," when precisely the opposite is true.

Second, unbundling just these three Standard Offer rates required Staff to create a whole new set of Direct Access rates—something that was clearly outside the scope of Hearing Officer Exhibit No. 1. APS will not attempt to address in this letter all the problems associated with these new Direct Access rates and will instead merely point out the impropriety of attempting to introduce such a revised set of rates after the close of the hearing. If the Hearing Officer decides it necessary to consider this new post-hearing evidence, APS expects it would be given the opportunity to present a formal rebuttal and to cross-examine Mr. Wallace on these rates.

Third, Staff has added new elements to the unbundling – elements not required by either the proposed Electric Competition Rules or Hearing Officer Exhibit No.1. These elements add more confusing detail but no more useful information. In fact, needless details are counterproductive to the goal of customer understanding.

I hope that the Company's position on the issue of Standard Offer bill unbundling is clear and that this issue can be resolved without the need for further proceedings.

Sincerely,



cc: Docket Control

**ARIZONA PUBLIC SERVICE COMPANY**

**Informational Unbundling for Standard Offer  
 Proposed Standard Offer Bill**

Sample Summer Bill on Rate E-12 at the Proposed 7/1/99 Rate Level  
 1.5% Overall Residential Class Decrease (1.68% decrease in energy charges from 9/1/98 Rate Level)

The following information is proposed to be shown on the customer's monthly bill:

*Page 1, Standard Offer Bill Calculation:*

*Page 2, Informational Unbundling:*

Your total energy usage this month is: 991 kWh

Your total energy usage for this month is: 991 kWh  
 You Standard Offer Bill is (see page 1): \$ 114.85

Basic Service Charge \$ 7.50  
 Charge for kWh used 100.09  
 Regulatory Assessment 0.20  
 Sales Tax 7.06  
**TOTAL \$ 114.85**

**If you choose to receive competitive services from an Electric Service Provider, your APS bill on Rate DA-R1 for delivery service would include:**

Metering Service: \$ 1.30  
 Meter Reading Service: 0.30  
 Billing Service: 0.30  
 Distribution Service: 49.30  
 System Benefits: 1.14  
 Competitive Transition Charge: 9.22  
 Regulatory Assessment: 0.12  
 Sales Tax: 4.04

**Total Charges for APS Delivery Service Only: \$ 65.72**

Transmission and Ancillary Services  
 billed to your Electric Service Provider:  
 Generation Services: \$ 5.09  
 \$ 44.04

\$ 49.13 or,  
 4.96 ¢/kWh

Shopping Credit to purchase competitively supplied Generation and Transmission Service, including any applicable taxes and regulatory assessments

**ARIZONA PUBLIC SERVICE COMPANY**

**Informational Unbundling for Standard Offer  
 Proposed Standard Offer Bill**

Sample Summer Bill on Rate E-32 at the Proposed 7/1/99 Rate Level  
 1.5% Overall General Service Under 3MW Class Decrease (1.53% decrease in energy and demand levels from 9/1/98 Rate Levels)

The following information is proposed to be shown on the customer's monthly bill:

*Page 1, Standard Offer Bill Calculation:*

Your total energy usage for this month is 36,500 kWh  
 Your peak demand for this month is: 100 kW

Basic Service Charge	\$ 12.50
Charge for kWh used	3,123.21
Charge for kW Demand	172.90
Regulatory Assessment	4.64
Sales Tax	216.87
<b>TOTAL</b>	<b>\$3,530.12</b>

*Page 2, Informational Unbundling:*

Your total energy usage for this month is 36,500 kWh  
 Your peak demand for this month is: 100 kW  
 You Standard Offer Bill is (see page 1): \$3,530.12

**If you choose to receive competitive services from an Electric Service Provider, your APS bill on Rate DA-GS1 for delivery service would include:**

Metering Service:	\$ 4.00
Meter Reading Service:	0.30
Billing Service:	0.30
Distribution Service:	1,297.75
System Benefits:	41.98
Competitive Transition Charge:	243.00
Regulatory Assessment:	2.22
Sales Tax:	104.04

**Total Charges for APS Delivery Service Only:**

\$1,693.59

Transmission and Ancillary Services  
 billed to your Electric Service Provider:  
 Generation Services:

\$ 156.40  
 \$1,680.13

Shopping Credit to purchase competitively supplied Generation and Transmission Service, including any applicable taxes and regulatory assessments

\$1,836.53 or,  
 5.03 ¢/kWh

**ARIZONA PUBLIC SERVICE COMPANY**

**Informational Unbundling for Standard Offer  
 Proposed Standard Offer Bill**

Sample Bill on Rate E-34 at the Proposed 7/1/99 Rate Level  
 1.5% Overall General Service 3MW and greater Decrease (1.50% decrease in energy and demand charges from 9/1/98 Rate Level)

The following information is proposed to be shown on the customer's monthly bill:

*Page 1, Standard Offer Bill Calculation:*

Your total energy usage for this month is 2,920,000 kWh  
 Your peak demand for this month is: 5,000 kW

Basic Service Charge	\$ 2,430.00
Charge for kWh used	94,578.80
Charge for kW Demand	54,950.00
Regulatory Assessment	212.89
Sales Tax	9,960.40
<b>TOTAL</b>	<b>\$162,132.09</b>

*Page 2, Informational Unbundling:*

Your total energy usage for this month is: 2,920,000 kWh  
 Your peak demand for this month is: 5,000 kW  
 You Standard Offer Bill is (see page 1): \$ 162,132.09

**If you choose to receive competitive services from an Electric Service Provider, your APS bill on Rate DA-GS10 for delivery service would include:**

Metering Service:	\$ 55.00
Meter Reading Service:	0.30
Billing Service:	0.30
Distribution Service:	49,195.20
System Benefits:	3,358.00
Competitive Transition Charge:	14,100.00
Regulatory Assessment:	124.81
Sales Tax:	4,374.59

**Total Charges for APS Delivery Service Only:**

\$ 71,208.20

Transmission and Ancillary Services  
 billed to your Electric Service Provider:  
 Generation Services:

\$ 8,760.00  
 \$ 82,163.89

Shopping Credit to purchase competitively supplied Generation and Transmission Service, including any applicable taxes and regulatory assessment

\$ 90,923.89 or,  
 3.11 ¢/kWh