

EXCEPTION ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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Arizona Corporation Commission
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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01993A-98-0471
TUCSON ELECTRIC POWER COMPANY)
FOR APPROVAL OF ITS PLAN FOR)
STRANDED COST RECOVERY.)

IN THE MATTER OF THE FILING OF) DOCKET NO. E-01933A-97-0772
TUCSON ELECTRIC COMPANY OF)
UNBUNDLED TARIFFS PURSUANT TO)
A.C.C. R14-2-1601 *ET SEQ.*)

IN THE MATTER OF COMENTION IN THE) DOCKET NO. RE-00000C-94-0165
PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA)

**ARIZONA CONSUMERS COUNCIL'S EXCEPTIONS TO TUCSON ELECTRIC
POWER COMPANY'S PROPOSED SETTLEMENT AGREEMENT BETWEEN
THE COMMISSION, TUCSON ELECTRIC POWER COMPANY AND
SIGNATORIES TO THE PROPOSED AGREEMENT.**

On October 26, 1999, the Arizona Corporation Commission's ("Commission") Hearing Division issued a Proposed Order adopting regarding a settlement agreement proposed by Tucson Electric Power Company to modify Docket Nos. E-01933A-98-0471, E-01933A-97-0772 and RE-0000C-94-0165. The Arizona Consumers Council ("Council"), through the undersigned, hereby submits the following exceptions to the Proposed Order. The Exceptions incorporate all issues not adequately addressed or accepted by the Hearing Officer although not specifically addressed in the foregoing Exceptions.

GENERAL COMMENTS

The Arizona Consumers Council was never a party to Tucson Electric Power Company Settlement Agreement nor were we invited to be part of the discussions prior to the signing by the parties or its submission to the Commission. We were given a briefing a few days prior to Tucson Electric Power's submission of the document to the Commission and asked to sign-on without the opportunity to seek modifications. Some modifications were made pursuant to this filing but on the whole this proposed Order does not meet what we feel are permanent flaws in the agreement and Proposed Order.

SPECIFIC ISSUES

The Settlement provides for minuscule rate reduction over a two year period of 1% per year. This rate reduction is less than 2% total as it is phased in. The rate reduction was already tentatively approved and should have gone into effect prior to the settlement agreement. It does not give anything to consumers that they were not entitled to months ago.

Allowing competition into TEP's service territory and expanding the initial eligible load by 45 MW is for non-residential consumers. It does nothing to enhance residential consumers ability to enter the competitive market. Even with the increased load given to residential consumers, who will serve them.

Stability and certainty for whom and at what price? If TEP continues to bill at a bundled rate, how will consumers be able to compare rates.

Stranded cost recovery methodology may put residential consumers at risk of a higher stranded cost CTC. It is unclear how consumers are protected if TEP does not collect what it considers its stranded cost. I would remind the Commission that the opportunity to recover is not a guarantee of recovery. Yet, the Commission is set to approve a stranded cost methodology that will insure that TEP recovers what it has deemed 100% of its stranded costs. The recover is predicated on what TEP says its stranded costs are. The Commission has made no independent analysis of the value of TEP's generation assets to determine if, in fact, the numbers given are accurate. Further allowing TEP to place its generation assets in a subsidiary at what they determine is market price possibly allows the Company to over collect to the detriment of ratepayers. Arizona ratepayers will never be able to see if the assets being transferred would in, fact, bring a higher price on the open market thereby lowering stranded costs.

The proposed code of conduct proposed by TEP does not meet the standards imposed upon all utilities under the original rules. Those rules should be placed back into the Rules and enforced by the Commission so that all players are under the same "rules".

The Commission has not adequately investigated whether or not the figures provided by TEP are accurate as required by their charger.

The ordering of a rate freeze and not a rate cap will allow TEP to possibly earn a higher rate of return as they will not have to reduce prices even if their energy costs come down.

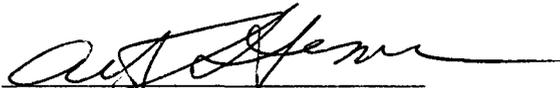
There is no definition of "Market Value" and how it is to be arrived at. The Commission should undertake some type of action to determine what the market value of these assets are and if are in excess to what TEP has said the value of the assets are, the Commission has the obligation to adjust the CTC to reflect that. If the UDC is still under rate of return regulation, the rates should be adjusted to reflect that the UDC has a reduced value since the generation assets no longer belong to the UDC>

The Council is opposed to securitization on its face. Securitization gives the utility money up front which the is little accounting and places ratepayers and or the public at risk for the payment of the secured assets and relives the utility of mitigation.

The order does not adequately address how this settlement agreement can bind the hands of future commissions or the people of the state of Arizona through the initiative process. We think that this provision is a violation of the rights of the people, the Commission and the legislature under the Constitution.

RESPECTFULLY SUBMITTED

This 5th Day of November, 1999.



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of the forgoing hand delivered
this 5th Day of November to:

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