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OPEN MEETING TELEVISION

Arizona Corporation Commission

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AZ CORP COMMISSION

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TO: THE COMMISSION

DEC 02 1998

FROM: Utilities Division

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DOCUMENT CONTROL

DATE: December 1, 1998

RE: IN THE MATTER OF THE FILING BY ARIZONA ELECTRIC POWER COOPERATIVE, INC. OF SYSTEM BENEFITS CHARGES AND UNBUNDLED SERVICE TARIFFS PURSUANT TO A.A.C. R14-2-1606 (DOCKET NO. E-01773A-97-0742)

On December 22, 1997, Arizona Electric Power Cooperative, Inc. (AEP CO) filed its unbundled service tariffs pursuant to A.A.C. R14-2-1606(C). In this filing, AEP CO has filed its Open Access Transmission Tariff (OATT). Since AEP CO is a generation and transmission cooperative, it has no retail customers and consequently no retail distribution rates (billing, metering, etc.). AEP CO also submitted information concerning system benefits charges but is not requesting a system benefits charge at this time.

Effective December 26, 1996, the Commission adopted rules governing the parameters of retail electric competition. Pursuant to A.A.C. R14-2-1606(C), each incumbent utility must file Unbundled Service Tariffs to provide the following services to all eligible purchasers on a nondiscriminatory basis: Distribution service; Meter and meter reading service; Billing and collection service; Open access transmission service; Ancillary services; Information services; and Other ancillary services necessary for safe and reliable system operation. Pursuant to A.A.C. R14-2-1608, each incumbent utility must file non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of system benefits from all consumers located in its service area who participate in the competitive market.

Decision No. 60574, dated January 14, 1998, suspended this filing until May 29, 1998. Decision No. 60909, dated May 22, 1998, suspended this filing until November 25, 1998. At Staff's request, AEP CO agreed to continue the suspension until December 10, 1998 in a letter it filed on November 13, 1998.

Staff is recommending the following modifications to AEP CO's transmission tariff that will make its system more open to all users, although these changes only become important in two years when access is open for all customers:

- a. Staff recommends that the ability to reserve capacity be available to loads less than 1 MW.
- b. Regarding the provision about existing firm service customers' right to continue to take transmission service, Staff recommends that AEP CO make this service available to existing load.

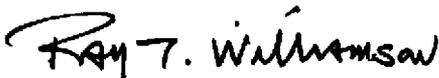
THE COMMISSION

December 1, 1998

Page 2

- c. Concerning the provision that redispatch, network upgrade, or direct assignment facilities costs would be charged to incremental transmission customers, Staff recommends AEPCO limit such charges to the portion of costs that do benefit the entire system.
- d. Staff recommends that the ancillary service provisions not require payment by customers who can provide their own ancillary services.
- e. The language regarding the non-provision of transmission service if it would jeopardize tax exempt status seems to preclude full open access. Staff recommends that this provision be removed; AEPCO should search for an alternative solution to maintaining tax exempt status.
- f. The provision that a transmission customer shall be responsible for metering to accurately account for the capacity and energy being transmitted would seem to preclude use of load profiling to provide service to customers without telemetering. Staff recommends that AEPCO offer some methodology that would allow competitive service to reach customers who do not have telemetering.

Staff recommends approval of AEPCO's transmission tariff with the above recommended modifications to occur before January 1, 2001.



Ray T. Williamson
Acting Director
Utilities Division

RTW:JVW:djg/PAB

ORIGINATOR: John V. Wallace

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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner - Chairman
RENZ D. JENNINGS
Commissioner
CARL J. KUNASEK
Commissioner

IN THE MATTER OF THE FILING BY)
ARIZONA ELECTRIC POWER)
COOPERATIVE, INC. OF SYSTEM)
BENEFITS CHARGES AND UNBUNDLED)
SERVICE TARIFFS PURSUANT TO)
A.A.C. R14-2-1606)

DOCKET NO. E-01773A-97-0742

DECISION NO. _____

ORDER

Open Meeting
December 10 and 11, 1998
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative, Inc. (AEPCO or Coop) is certified to provide electric service as a public service corporation in the State of Arizona.

2. On December 22, 1997, AEPCO filed its unbundled service tariffs pursuant to A.A.C. R14-2-1606(C). In this filing, AEPCO filed its Open Access Transmission Tariff (OATT). Since AEPCO is a generation and transmission cooperative, it has no retail customers and consequently no retail distribution rates (billing, metering, etc.). AEPCO also submitted information concerning system benefits charges but is not requesting a system benefits charge at this time.

3. Effective December 26, 1996, the Commission adopted rules governing the parameters of retail electric competition. Pursuant to R14-2-1606(C), each incumbent utility must file Unbundled Service Tariffs to provide the following services to all eligible purchasers on a nondiscriminatory basis: Distribution service; Meter and meter reading service; Billing and collection service; Open access transmission service; Ancillary services; Information services; and Other ancillary services necessary for safe and reliable system operation.

...

1 4. Pursuant to R14-2-1608, each incumbent utility must file non-bypassable rates or
2 related mechanisms to recover the applicable pro-rata costs of system benefits from all
3 consumers located in its service area who participate in the competitive market.

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5 5. Decision No. 60574, dated January 14, 1998, suspended this filing until May 29,
6 1998. Decision No. 60909, dated May 22, 1998, suspended this filing until November 25, 1998.
7 At Staff's request, AEPCO agreed to continue the suspension until December 10, 1998 in a letter
8 it filed on November 13, 1998.

9
10 6. Staff is recommending the following modifications to AEPCO's transmission
11 tariff that will make its system more open to all users, although these changes only become
12 important in two years when access is open for all customers:

- 13 a. Staff recommends that the ability to reserve capacity be available to loads less than 1
14 MW.
- 15 b. Regarding the provision about existing firm service customers' right to continue to
16 take transmission service, Staff recommends that AEPCO make this service available
17 to existing load.
- 18 c. Concerning the provision that redispatch, network upgrade, or direct assignment
19 facilities costs would be charged to incremental transmission customers, Staff
20 recommends AEPCO limit such charges to the portion of costs that benefit the entire
21 system.
- 22 d. Staff recommends that the ancillary service provisions not require payment by
23 customers who can provide their own ancillary services.
- 24 e. The language regarding the non-provision of transmission service if it would
25 jeopardize tax exempt status seems to preclude full open access. Staff recommends
26 that this provision be removed; AEPCO should search for an alternative solution to
27 maintaining tax exempt status.

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f. The provision that a transmission customer shall be responsible for metering to accurately account for the capacity and energy being transmitted would seem to preclude use of load profiling to provide service to customers without telemetering. Staff recommends that AEPCO offer some methodology that would allow competitive service to reach customers who do not have telemetering.

7. Staff recommends approval of AEPCO's transmission tariff with the above recommended modifications to occur before January 1, 2001.

CONCLUSIONS OF LAW

1. AEPCO is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over AEPCO and over the subject matter of the application.

3. The Commission, having reviewed the tariff pages (copies of which are contained in the Commission tariff files) and Staff's Memorandum dated December 1, 1998, concludes that the tariffs filed on December 22, 1997, to be modified by January 1, 2001, as recommended by Staff, are reasonable and equitable and are therefore in the public interest.

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ORDER

THEREFORE, IT IS ORDERED that the December 22, 1997 tariff filing, as modified by Findings of Fact No. 6, be and hereby is approved.

IT IS FURTHER ORDERED that AEPCO file a revised tariff consistent with Findings of Fact No. 6 no later than November 1, 2000.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

COMMISSIONER - CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____ 1998.

JACK ROSE
Executive Secretary

DISSENT _____

RTW:JVW:djg/PAB