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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF ITS PLAN FOR STRANDED
COST RECOVERY

DOCKET NO. E-01345A-98-0473

IN THE MATTER OF THE FILING OF
ARIZONA PUBLIC SERVICE COMPANY OF
UNBUNDLED TARIFFS PURSUANT TO
A.A.C. R14-2-1601 *ET SEQ.*

DOCKET NO. E-01345A-97-0773

IN THE MATTER OF COMPETITION IN THE
PROVISION OF ELECTRIC SERVICES
THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. RE-00000C-94-0165

COMMONWEALTH'S DISCOVERY REQUEST

Commonwealth Energy Corporation ("Commonwealth") submits the following discovery requests of Arizona Public Service Company ("APS"), Arizonans for Electric Choice and Competition ("AECC" as defined in the Procedural Order dated May 25, 1999), and Residential Utility Consumers Office ("RUCO").

Definitions: These terms shall have the following respective meanings.

1. "AECC" - Arizonans for Electric Choice and Competition
2. "Any" - shall refer to any and all.
3. "AP" - Direct Testimony of Alan Propper, dated June 4, 1999.
4. "APS" - Arizona Public Service Company.
5. "ESP" - Electric Service Provider as defined in the Rules.
6. "Commission" - Arizona Corporation Commission.
7. "CTC" - competitive transition charge as defined in the Rules.

- 1 8. "JHL" - Direct Testimony of John H. Landon, dated June 4, 1999.
- 2 9. "JED" - Direct Testimony of Jack E. Davis, dated June 4, 1999.
- 3 10. "kWh" - kilowatts per hour.
- 4 11. "Mw" - megawatts.
- 5 12. "RUCO" - Residential Utility Consumer Office
- 6 13. "Rules" - the Arizona Electric Competition Rules dated April 23, 1999.
- 7 14. "Settlement" - the APS Settlement Agreement dated May 14, 1999.
- 8 15. "Study" - any and all studies, analyses, memoranda, data, correspondence, evaluations, computer models, reports or other documents.

9 **APS Discovery Request**

10 1. Standard Offer

- 11 a. Please provide any study conducted on the "five rate reductions" referred to in the
- 12 Settlement.
- 13 b. Please provide any study prepared on projected savings to customers resulting from
- 14 retail electric competition in the APS service area.
- 15 c. Please furnish any study and provide an explanation as to how many customers (by
- 16 customer classes) are presumed to purchase competitive electric services in preparing
- 17 your assessment that Standard Offer customers would receive a \$475 million rate
- 18 reduction by 2004. (JED at 3).
- 19 d. Explain what assumptions were used in breaking down APS's Plant in Service or
- 20 Operating Maintenance Expenses into Production, Transmission or Distribution
- 21 functions. (AP at 4).
- 22 e. Describe the assumptions used in classifying the Production, Transmission and
- 23 Distribution functions into Demand, Energy and Customer categories. (AP at 4).
- 24 f. Explain what allocation assumptions and factors were used in separating those
- 25 Demand, Energy and Customer categories among customer classes and between the
- 26 Standard Offer bundled tariffs and the direct access tariffs. (AP at 4).
- 27 g. What criteria were used in allocating APS's general and administrative costs (a)
- among Production, Transmission or Distribution, (b) among Demand, Energy and
- Customer, and (c) between the Standard Offer and direct access tariffs. (AP at 4).
- h. Please provide the 1996 test year cost-of-service study and any cost-of-service study
- using a test year more recent than 1996. (AP at 5).

1 i. Please explain which generation units were declared to be Must Run units and the
2 Must Run costs that were imputed within the Standard Offer tariffs, and in setting the
3 direct access tariffs. Please explain how these Must Run charges reduced the potential
4 stranded costs. (AP at 7-8).

5 2. Unbundled Tariffs for Customers Selecting Competitive Services

6 a. Explain the assumptions used in setting the declining rates for unbundled rates and
7 provide any study performed in setting those figures used in the Settlement. (JED at
8 7).

9 b. Explain whether or not a customer will pay the same costs for non-competitive
10 services regardless of whether that customer receives service under the Standard
11 Offer or from an ESP. Please furnish any study that discusses this similarity or
12 inconsistency.

13 c. Please provide an illustration of the average customer's charges per month under the
14 Direct Access Residential Service tariff (Settlement Exhibit A) by explaining the
15 assumptions for kWh and the average monthly costs of (a) basic delivery service, (b)
16 distribution, (c) system benefits, and (d) CTC, and illustrate the corresponding
17 disaggregated average monthly charges for (a) basic delivery service, (b) distribution,
18 (c) transmission, (d) ancillary services, (e) metering, (f) meter reading, (g) billing (f)
19 system benefits, (g) CTC and (h) generation costs, under the Standard Offer for that
20 same "average" customer. (AP at 2)

21 d. Please provide an illustration of the average customer's charges per month under the
22 Direct Access General Service tariff (Settlement Exhibit A) by explaining the
23 assumptions for kW and kWh and the average monthly costs of (a) basic delivery
24 service, (b) distribution, (c) system benefits, and (d) CTC, and illustrate the
25 corresponding disaggregated average monthly charges for (a) basic delivery service,
26 (b) distribution, (c) transmission, (d) ancillary services, (e) metering, (f) meter
27 reading, (g) billing (f) system benefits, (g) CTC and (h) generation costs, under the
Standard Offer for that same "average" customer. Please prepare an illustration for
the Summer Cycle and a separate illustration for the Winter Cycle. (AP at 2).

e. Please provide an illustration of the average customer's charges per month under the
Direct Access Extra Large General Service tariff (Settlement Exhibit A) by explaining
the assumptions for kW and kWh and the average monthly costs of (a) basic delivery
service, (b) distribution, (c) system benefits, and (d) CTC, and illustrate the
corresponding disaggregated average monthly charges for (a) basic delivery service,
(b) distribution, (c) transmission, (d) ancillary services, (e) metering, (f) meter
reading, (g) billing (f) system benefits, (g) CTC and (h) generation costs, under the
Standard Offer for that same "average" customer. (AP at 2).

f. Describe what transmission costs, if any, are imputed within the direct access tariffs.
(AP at 7).

g. Describe what ancillary services and their respective costs, if any, are imputed within
the direct access tariffs. (AP at 7).

h. What specific costs were adjusted in developing the Direct Access Service rates
before the apportionment factors were applied in unbundling those rates? (AP at 12).

1
2 i. What future changes in APS's Terms and Conditions for Service by direct access
customers are contemplated at this time or in the future? (AP at 17).

3 3. Promotion of Competition

4 a. Explain how the Settlement will "promote entry of new competitors." Please provide
5 any study as to how the Settlement will "promote entry of new competitors." (JED
at 3).

6 b. Please provide any study that supports your argument that economic development will
7 benefit from guaranteed rate reductions and the continuation of renewable and energy
efficiency programs. (Settlement at 1-2),

8 c. How was the 140 Mw for non-residential load calculated? Please provide any study
pertaining to such calculation.

9 d. Please state the expected number of customers (by class with their respective loads
10 in Mw) that APS expect will purchase competitive generation service by January 1,
2000. (JEB at 13).

11 e. Under the APS Direct Access Residential Phase-In Program (JED, Schedule 4), only
12 8,750 residential customers will be eligible for direct access, per quarter starting on
13 January 1, 1999. Will the first 26,250 customers seeking an alternative energy
supplier, as of June 30, 1999, be eligible to participate in retail direct access? Please
14 explain the workings of this Phase-In Program.

15 4. Generation Shopping Credit

16 a. Please provide any study performed on the generation shopping credit (also known
as the "market generation credit") which shall be available for all classes of APS
customers under the Settlement.

17 b. Explain how the Settlement will promote competition if the generation shopping
18 credit (and CTC) does not result in any savings to customers?

19 c. Please provide an illustration of the generation shopping credit for each of the direct
20 access tariffs.

21 5. Stranded Costs

22 a. Please explain why regulatory assets are now recovered under the Distribution charge
rather than the CTC.

23 b. Please state how much of the regulatory assets, by category, have been recovered as
of December 31, 1998.

24 c. Regulatory assets include mine reclamation costs and financing costs for generation
25 units. Please itemize the net present value of each of these regulatory assets as of
December 31, 1998. Please explain why these types of regulatory assets which relate
26 to generation should be included in the Distribution charge for both Standard Offer
customers and those that select an ESP. (AP at 9).

- 1
- 2 d. Please provide any study on the projected regulatory assets APS expects will not be
- 3 recovered as of June 30, 2003. (JED at 8).
- 4 e. Please explain how any deferred credit (amounts owned by APS to customers) of the
- 5 CTC will be allocated back to "APS customers."
- 6 f. Please explain how the CTC was allocated among Direct Access Rate Class
- 7 customers in Exhibit A, Schedule A of the Settlement.
- 8 g. Will a customer pay the same CTC regardless of whether it purchases services from
- 9 APS under the Direct Access tariffs or the Standard Offer? If not, please explain the
- 10 discrepancy.
- 11 h. Please explain how many customers and their respective loads in kW (by class) were
- 12 assumed to be actually purchasing competitive generation services when APS
- 13 prepared its (a) Stranded Cost Estimate (JED, Exh. 2), and (b) Regulatory Asset
- 14 Amortization Schedule under Schedule C, Exhibit A of the Settlement.
- 15 i. Describe how many customers and their respective loads in kW (by class) were
- 16 assumed to be actually purchasing competitive generation services when APS
- 17 prepared its stranded cost projection of \$350 million. (JHL at 16). Please describe
- 18 what "aggressive capacity factors" were used for the power plants in calculating
- 19 stranded costs, for each of the generation units described in Exhibit C of the
- 20 Settlement for the period 1999 through 2004. (JHL at 16).
- 21 j. Please explain what assumptions were used in creating the amortization of regulatory
- 22 assets in Schedule C, Exhibit A of the Settlement.
- 23 k. Describe the assumptions used in calculating the \$350 million "net present value" for
- 24 the stranded cost recovery.
- 25 l. Please explain the source of "Bundled Rate" as used in Schedule AP-7, Schedule 1,
- 26 and the assumptions underlying the rate used for "All kWh."
- 27 m. Please provide any study performed on APS's stranded costs (and/or regulatory
- assets).
- n. Please provide the market-based price(s), their source(s) and the assumptions used
- in setting the stranded cost figure on the Settlement. Please furnish any study
- performed on this stranded cost calculation.

22 6. Market Power

- 23 a. Explain when APS will "functional" separate its power production and delivery
- 24 functions and how that will promote retail access faster. (Settlement at 1).
- 25 b. Please explain how the Settlement addresses market structure if APS's competitive
- 26 lines of business are transferred to an affiliate? (JEB at 9 & Settlement at 6).
- 27

- 1 c. Please explain whether or not a competitive affiliate of APS (or its parent) will be able
2 to provide services within the APS service area and, if so, how that will mitigate
3 market power.
4
5 d. Explain how the waiver of the Commission's general affiliate transaction rules
6 (A.A.C. R14-2-801 *et seq.*) will mitigate market power and protect against market
7 abuses. (JED at 10).
8
9 e. Explain what types of "prudent costs" of corporate restructuring APS claims should
10 be recovered? (JED at 10).
11
12 f. What approvals from FERC and NRC are anticipated in completing APS's
13 restructuring? (JED at 10).
14
15 g. For each of the generation assets described in Exhibit C to the Settlement, please
16 describe its book value, fuel source, and generation capacity in Mw.
17
18 h. Please furnish any study on the conclusion that the book value of APS's generation
19 portfolio will be greater than the market value of those assets. (JHL at 10).
20
21 i. Please furnish any study of the amount of energy production, as set forth in JEB,
22 Exhibit 2, that is anticipated to be used by Standard Offer customers, for each year
23 during 1999 through 2004.
24
25 j. Please furnish any study prepared by APS (or its consultants) on market power issues
26 relating to the Settlement.
27
k. Please explain any plans by APS to divest its generation and provide a copy of any
study relating to divestiture of APS's generation assets. (JED at 8).
l. Please describe and itemize "the reasonable and prudent costs" APS anticipates
incurring in separating competition generation assets and competitive services, under
Section 4.2 of the Settlement. Please explain how those costs will be distinguished
from the "costs of transferring the APS power marketing function to an affiliate."

AECC Discovery Request

- 19 1. Promotion of Competition
20
21 a. Please furnish any study performed on the Settlement's ability to promote electric
22 competition.
23
24 b. Please provide any study that illustrates the expected generation shopping credit that
25 are imputed within the Direct Access tariffs.
26
27 c. Please provide any study that forecasts the expected numbers of customers (by class
with their respective loads) that are likely to seek competitive electric services if the
Settlement is approved.
d. Please provide any study that assures the public of no cost shifting associated with the
same service that a customer receives under the Standard Offer or from an ESP.

1 e. Please provide any study on the cost savings associated with the Settlement.

2 2. Stranded Costs

3 a. Please explain why regulatory assets are now to be recovered under the Distribution
4 charge rather than the CTC.

5 b. Please provide any study on APS's stranded costs (and/or regulatory assets).

6 3. Generation Shopping Credit

7 a. Please provide any study of the expected generation shopping credit resulting from
8 the Settlement.

8 **RUCO Discovery Request**

9 1. Promotion of Competition

10 a. Please furnish any study performed on the Settlement's ability to promote electric
11 competition.

12 b. Please provide any study that illustrates the expected generation shopping credit that
13 are imputed within the Direct Access tariffs.

14 c. Please provide any study that forecasts the expected numbers of customers (by class
15 with their respective loads) that are likely to seek competitive electric services if the
16 Settlement is approved.

17 d. Please provide any study that assures the public of no cost shifting associated with the
18 same service that a customer receives under the Standard Offer or from an ESP.

19 e. Please provide any study on the electric cost savings associated with the Settlement.

20 2. Stranded Costs

21 a. Please explain why regulatory assets are now to be recovered under the Distribution
22 charge rather than the CTC.

23 b. Please provide any study performed on APS's stranded costs (and/or regulatory
24 assets).

25 c. RUCO's consultant, Dr. Richard A. Rosen, calculated the estimated unbundled
26 generation, transmission, distribution and customer revenue results for APS in 1998,
27 as follows:

Generation	5.02 cents per kWh
Transmission	0.59 cents per kWh
Distribution	2.06 cents per kWh
Customer-related expense	0.38 cents per kWh

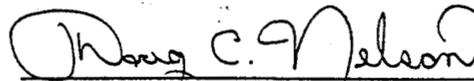
Direct Testimony of Dr. Richard Rosen, dated January 21, 1997 (sic - 1998), at 40
& Exh. RAR-12, *Arizona Corporation Commission, Docket No. U-0000-94-165.*

1 Please explain the discrepancy, if any, in these unbundled revenue results and the
2 expected revenue for the above components under the Settlement for residential
customers.

- 3 d. Please explain whether or not residential customers will receive a generation shopping
4 credit of over 5 cents under the Settlement.
- 5 e. Dr. Rosen included regulatory assets as a part of stranded costs and he determined
6 that APS would have negative stranded costs under various scenarios. *Id.* at 61 and
RAR-2. Please explain the discrepancy in Dr. Rosen's estimated APS stranded costs
and the stranded cost figure in the Settlement.

7
8 RESPECTFULLY submitted this 25th day of June, 1999.

9 DOUGLAS C. NELSON, P.C.

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11 

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16 filed this 25th day of June, 1999 to:

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19 **COPIES** of the foregoing hand-delivered
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