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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION)
OF APS FOR APPROVAL OF ITS PLAN FOR)
STRANDED COST RECOVERY)
_____)

DOCKET NOS.
E-01345a-98-0473

IN THE MATTER OF THE FILING OF APS)
UNBUNDLED TARIFFS)
_____)

E-01345A-97-0773

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

RE-00000C-94-0165

NOTICE OF FILING:

ACAA'S WITNESS LIST AND SUBJECT AREAS
REBUTTAL TESTIMONY

Arizona Community Action Association (ACAA) hereby submits its List of Witnesses and subject areas to be covered at the July 14th hearing. In addition, ACAA is including our rebuttal testimony.

WITNESS

Betty K. Pruitt, ACAA Deputy Director and Energy Programs Coordinator

SUBJECT AREAS

1. General support of the Settlement.
2. Purpose of the competitive market.

3. Rebuttal of Staff's recommendations to:
 - balance consumer benefits with desire to stimulate the competitive market
 - adjust the CTC and the MGC
4. Support for Staff's recommendation to:
 - require APS to unbundle its Standard Offer Rates and Direct Access tariff to the same level of detail

REBUTTAL TESTIMONY

- Q. Please state your name and business address for the record.
- A. My name is Betty K. Pruitt. My address is 2627 N. 3rd. St. Suite 2, Phoenix, Arizona 85004.
- Q. Who do you represent and what is your position there?
- A. I represent Arizona Community Action Association, the state association for Community Action Agencies across Arizona whose mission is to help low-income people move towards self-sufficiency. ACAA advocates on behalf of low-income people and Community Action Agencies. I am the Deputy Director and Energy Programs Coordinator for ACAA.
- Q. Why is ACAA active in utility issues?
- A. Electric and gas costs represent a significant portion of a low-income family's budget. Some low-income consumers, especially the elderly on fixed incomes, manage their utility bills by doing without. For some that means turning off the air conditioner or it may mean that they will buy less food or medicine to pay their electric bill. ACAA is committed to increasing energy affordability through lower rates and equitable low-income programs.
- Q. What is the purpose of your rebuttal testimony?
- A. The purpose of my rebuttal testimony is to provide general support of the Settlement and to respond to portions of Staff's direct testimony.
- Q. Has ACAA done any statistical analysis of the Settlement?

A. No. As a small non-profit organization, ACAA does not have the resources to pay a consultant to analyze the tariffs or the stranded costs section. In situations like this, ACAA traditionally relies on the statistical analysis provided by RUCO and Staff. Based on their findings, ACAA can then respond from a policy perspective.

Q. Why does ACAA support the Settlement?

A. It has been a long road leading to electric competition. Most of the parties have been here from the very beginning. We have all fought hard for our constituencies. We have won some and lost some. It is time to take the final steps to bring competition to reality. It is now time to make some compromises and reach consensus. ACAA supports the Settlement because it provides benefits to low-income and residential consumers by reducing rates for those customers held captive and denied access to the competitive market. It also allows more residential consumers into the market and it continues some very important low-income programs.

Q. What do you mean by captive customers?

A. The Rule, as it has evolved, has reduced the number of residential customers allowed into the competitive market during the transition phase. The vast majority of residential and low-income consumers are denied access until competition is fully open. For all practical purposes, they are held captive and denied the opportunity to access promised lower rates through competition.

Q. What benefit does the Settlement provide to captive customers?

A. The Settlement provides a cumulative rate reduction of 7.5% over five years for captive customers. It is my belief that APS recognized the need to provide equitable benefits to their customers excluded from the competitive market.

Q. Staff asserts that the purpose of moving toward the competitive market is to allow customer choice and lower rates and that the Settlement appears to be a good deal for consumers. Do you agree?

A. I believe that all customers should be allowed customer choice and should receive lower rates, but so far all indications are that the free market will discriminate against certain customers, namely low-income, residential, and other small users. These customers for the most part will not be allowed choice in the near term, nor is it likely that they have will have

much choice under full direct access since small users are the least attractive customers to competitive providers. The Settlement ensures lower rates to residential and low-income customers who will not have choice. The Settlement is an equitable balance between lower rates and choice.

- Q. Do you agree with Staff that the Settlement appears to favor rate reductions over the establishment of a competitive market during the transition to competition?
- A. No. I believe the Settlement is providing equitable rate reductions to residential consumers in order to give them immediate benefits from competition that they would otherwise be denied. Many parties have acknowledged that residential consumers are not attractive to competitive suppliers. It may be many years before small consumers see the promised benefits of competition, if at all. The residential consumers did not ask for this change to a free market. They face many risks and are likely to get few benefits in the short term. In exchange for the stability and smooth transition their captivity provides, residential consumers deserve, at least, the full rate reduction in this Settlement. The competitive market is further stimulated by increasing the available competitive load for larger customers. In short, small customers get a decent rate reduction, larger customers get more load, and the ruthlessness of the competitive market is held in balance by an equitable solution.
- Q. Do you have concerns about Staff's recommendation to raise the market generation credit?
- A. Yes. Staff's proposal would seem to further exacerbate the inequities between residential and large industrial customers; but as I stated previously, ACAA has not done a statistical analysis. Consultants and other parties would be better able to answer that. From a policy perspective, I don't want to see any manipulation of the MGC or the CTC which would disadvantage residential or low-income consumers in the short or long term.
- Q. What is ACAA's position on Staff's proposal to require APS to unbundle its Standard Offer Rates and Direct Access tariff to the same level of detail?
- A. ACAA has always taken the position that more consumer information is desirable. It is important that consumers be able to readily compare apples to apples.

Q. Do you agree with Staff's criteria for Commission approval of the Settlement?

A. I agree that an approved Settlement should have the goals of allowing competition and that it should provide benefits to Arizona consumers. However, I would modify it in the following way: the benefits should be equitable for all Arizona consumers.

Q. Does that conclude your testimony?

A. Yes it does.

Respectfully submitted this 14th day of May, 1999 by


Betty K. Pruitt

The original and 10 copies of the foregoing filed in Docket Control this 12th day of July, 1999.

Copies of the foregoing mailed this 12th day of July, 1999 to the Service list.