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EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM MUNDELL

Commissioner

ARIZONA CORPORATION COMMISSION

DOCKETED

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

DOCKET NO. RE-00000C-94-0165

IN THE MATTER OF THE FILING 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

UTILITY.COM, INC.'S ("UTILITY.COM"), PHASER ADVANCED
METERING SERVICES' ("PHASER"), AND CELLNET DATA SYSTEMS'
EXCEPTIONS TO THE HEARING OFFICER'S AUGUST 26, 1999
RECOMMENDATIONS CONCERNING THE SETTLEMENT AGREEMENT

FILED BY

ARIZONA PUBLIC SERVICE COMPANY ("APS")

ON MAY 17, 1999 ("SETTLEMENT")

Utility.com, PHASER, and CellNet hereby file exceptions and comments in the above-captioned proceeding regarding the Hearing Officer's recommended order on the proposed Settlement filed by APS.

Background

Utility.com is a registered Energy Service Provider in California and one of only two companies actively selling competitive electricity to residential and small business customers throughout the state. Utility.com is also the first company to file for a license to sell competitive power in Nevada. Utility.com has been active in regulatory proceedings throughout the U.S. and has testified before various state legislatures and regulatory commissions, as well as providing invited testimony before the Commerce Committee of the U.S. House of Representatives. Utility.com currently plans to offer services in Arizona as well, after obtaining a Certificate of Convenience and Necessity ("CC&N").

Avistar, Inc., doing business as Phaser Advanced Metering, is a registered Meter Service Provider ("MSP") in California and has obtained a CC&N to offer metering services in Arizona's competitive electricity market. PHASER has been an active participant in regulatory proceedings and metering working groups, including chairing working groups, in Arizona, Nevada, and California.

CellNet Data Systems is a manufacturer of utility metering and meter reading products registered as a Meter Service Provider and Meter Data Management Agent in California.

Metering and Billing Credits

Utility.com, Phaser, and CellNet strongly support the Hearing Officer's recommended changes to the Settlement's proposed metering and billing credits. Credits that do not fully capture the utility's embedded costs for performing these services would result in competitive customers double-paying for these services.

Generation Shopping Credits

The recommendation's dismissal of industry calls for revised generation "shopping" credit methodologies is oversimplified and misstates the competitive industry's concerns. We urge this Commission to establish generation shopping credits that reflect total actual costs of APS acquiring wholesale power. These total costs would reflect not only the raw market costs of power but the internal utility costs associated with that effort as well. In short, the flat credits proposed in the current Settlement do not take into consideration these additional costs incurred by utilities and ESPs alike, and represent an artificially low operating margin for ESPs. The result will be an artificially restricted competitive environment in Arizona.

Summary

In summary, the Hearing Officer's recommendations would remedy certain problems embodied in the Settlement, but would stop short of providing solutions to those larger problems that will impede, or in some cases entirely circumvent, meaningful electric competition in this state.

Utility.com, PHASER, and CellNet appreciate the opportunity to file our comments and exceptions in this matter.

Respectfully submitted,

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