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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 COMMENTS, WITNESS LIST,
 SUBJECT AREAS, AND EXHIBIT LIST**

Commonwealth Energy Corporation ("Commonwealth") submits these comments, its witness list, subject areas and exhibits pertaining to this proceeding on the Settlement Agreement proposed by Arizona Public Services Company.

I. COMMONWEALTH'S COMMENTS

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11 **1. Introduction**

12 Electricity is a \$3.7 billion industry in Arizona. Residential customers in Arizona paid
13 27% more than their neighbors in Colorado, Nevada and Utah, according to the Clemson
14 University study using 1995 figures. The overall average price of electricity in Arizona is 11%
15 higher than the national average and 30% higher than Arizona's neighboring low-cost states. The
16 Clemson study, sponsored by the Arizonans for Electric Choice and Competition ("AECC"),
17 concludes that Arizona's electric consumers would save \$925 million, with \$410 million going
18 to residential customers, if electric prices dropped by 25%. This savings would total \$4.625
19 billion over a five-year period.

20 Arizona Public Service Company ("APS") has the largest service area, measured in
21 revenue, customers and power bills, of any electric utility regulated by the Arizona Corporation
22 Commission. Whether or not this APS Settlement Agreement is approved, modified or rejected,
23 will determine if Arizona will actually have retail electric competition.

24 The Commission has been trying to open Arizona's electric market since 1994. Over these
25 past five years, many studies, testimonies and documents have been filed in the aforementioned
26 dockets. Commonwealth wishes to highlight some key points in the record which supports its
27 argument as to why this Settlement should be rejected or significantly modified.

1 **2. The Settlement Restricts Customer Access and Thus Creates a Market Barrier**

2 The Settlement (and the Rules) restricts who, how and when customers may enter the
3 electric competitive market and, consequently, who might be willing to serve those particular
4 customers. APS acknowledges that this is an impermissible market barrier. APS's expert, Dr.
5 John Landon, testified there should be no limits on participants or any other significant barriers:

6 An example of a barrier to entry is a legal limit on the number of taxicabs or
7 taxicab providers in a city. Such restrictions can make it impossible for new firms
8 to enter the market, to the benefit of incumbent firms and the detriment of
consumers. However, in the retail electricity market, there will be no limit on the
number of participants, nor will there be any other substantial barrier to entry.¹

9 Restrictions on customer access limit the number of participants. These are barriers to entry
10 which Dr. Landon said should not exist in the retail electric market. All customers should have
11 immediate access to competition.

12 **3. Different Unbundled Rates for Standard Offer and Competitive Service Customers**
13 **Create a Market Barrier**

14 APS admits that its unbundled rates for its Standard Offer customers will "likely" be
15 different from rates APS charges customers seeking competitive services.² Previously, APS's own
16 expert, Dr. Landon, testified this is a market barrier: "A barrier to entry that merits concern is
17 one that artificially creates a substantial cost asymmetry between incumbent and entrant."³ The
18 way in which APS proposes to charge different costs for the same service to its Standard Offer
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21 ¹ Rebuttal Testimony of John H. Landon (Feb. 4, 1998 - *A.C.C. Docket No. U-0000-94-165*) at 11 ("Landon
22 Testimony").

23 ² APS opposes the "bottom up" approach to unbundling its tariff to be reflected in customer bills, claiming
24 "it may provide customers with"disinformation" because it is unlikely these "billing cost elements" will match the
25 corresponding unbundled *rates* actually paid by those who receive portions of their electric service from competitive
suppliers." Comments of APS on the Proposed Electric Competition Rules (May 14, 1999 - *A.C.C. Docket No. RE-*
00000C-94-0165) at 5 (emphasis in original). Hearing Testimony of Thomas Mumaw (June 14, 1999 - *A.C.C. Docket*
No. RE-00000C-94-0165)

26 ³ *Id.*

1 customers and those seeking competitive services is a substantial cost asymmetry that creates a
2 market barrier.

3 RUCO's expert, Dr. Richard Rosen, previously testified that unbundled rates for Standard
4 Offer and competitive services should be the same:

5 The unbundling process should result in rates for distribution, transmission, and
6 customer service charges that are the same for all Standard Offer and unbundled
customers within the same customer class.⁴

7 "Unbundled rates are the hallmark of a restructured electric industry," according to
8 AECC's expert, Dr. Alan Rosenberg.⁵ With customer choice, he said, "[I]t is all the more
9 important that the distribution rates be based on cost causation so as not to distort the price signals
10 between the generator and the meter." The sum of all unbundled components should equal the
11 present bundled tariff. Until rates are unbundled with a cost-of-service study, Dr. Rosenberg
12 testified that customers, competitors and the Commission are only then able to make intelligent
13 choices:

14 Q. Why are unbundled rates important? A. First, unbundled rates are a basic
15 element of retail competition. In fact, every commission order on electric industry
16 restructuring of which I am aware, stipulates or otherwise acknowledges that
17 unbundled rates are part and parcel of the process. The electric industry is
18 vertically integrated. Without unbundled rates for each service, customers cannot
make intelligent decisions on which service they want to retain with their current
utility (assuming that the service is available on a competitive basis). Similarly,
unbundled rates allow potential competitors to the utility to make decisions as to
whether it is profitable to market their services in that territory.

19 Second, unbundled rates allow different jurisdictions to apply their regulatory
20 responsibility for those cost components that remain regulated; e.g., FERC and the
21 Arizona Corporation Commission setting cost-based rates for transmission and
22 distribution, respectively. For competitive services, such as generation, unbundled
23 rates allow the free market to exercise its discipline on the pricing and quality of
such service.

24 ⁴ Direct Testimony of Dr. Richard A. Rosen (Nov. 30, 1998 - *A.C.C. Docket Nos. E-01933A-98-0471, et al.*)
25 at 16 ("Rosen Testimony").

26 ⁵ Direct Testimony of Dr. Alan Rosenberg (Nov. 30, 1998 - *A.C.C. Docket No. E-01933A-98-0471 et seq.*)
27 at 14 ("Rosenberg Testimony").

1 Finally, unbundled rates help prevent unfair monopolistic practices in two ways.
2 First, it avoids the practice of tying, that is, forcing customers to take one service
3 as an unavoidable consequence of taking another. Second, it facilitates cost
4 accounting which should prevent TEP from using the profits from its regulated
5 activities to support its unregulated ventures. Just as important, proper cost
6 accounting helps regulators gauge the true profitability of the regulated activities.
Clear and explicit unbundled rates facilitate the task of ascertaining whether the
utility is making undue profits on a regulated service. For example, if a utility is
making a 20% return on equity, without unbundled rates it would be difficult to tell
if it is just being extraordinarily successful in marketing power or if it making
unreasonable profits on its monopoly service.⁶

7 Dr. Rosenberg also recommended unbundled rates be available to all customers so that even those
8 on Standard Offer service are aware of changes in the electric industry and it educates customers
9 about the costs in their electric bills.⁷

10 Commonwealth concurs with Dr. Rosen's and Dr. Rosenberg's expert opinions.

11 **4. The Settlement Should Contain a Generation Shopping Credit Which Reflects APS's**
12 **True Unbundled and Allocated Cost of Retail Generation**

13 The Settlement does not propose a "market generation credit." The Settlement must
14 contain a generation shopping credit (or "market generation credit") so that customers and
15 competitors know their savings and margins. Commonwealth has made this point repeatedly in
16 the past. RUCO's Dr. Rosen made a similar observation late last year:

17 The market generation credit should be at least as high as the retail market price
18 of generation service. It should be set at the high end of a reasonable range of
19 retail market prices. Otherwise, alternative generation suppliers will not be able
20 to match or beat the price of APS generation service. If the MGC is not somewhat
21 higher than the retail market price, little or no competition will result, just as we
22 have seen this year in California, Massachusetts, New Hampshire, and Rhode
23 Island. Most ratepayers probably need to receive at least 5 percent overall savings
24 on their electric bills before they would be induced to switch suppliers.⁸

25 Dr. Rosen was critical of the artificial setting of the market generation credit in APS's previous
26 settlement approach, because it included no retailing costs ("not even the retailing costs -
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⁶ *Id.* at 13.

⁷ *Id.* at 14.

⁸ Rosen Testimony at 19 (emphasis in original).

1 generation-related A&G -- that are currently included in APS's retail rates"). Yet, he testified
2 that "alternative suppliers will necessarily have even higher retailing costs than APS has had under
3 monopoly conditions."⁹

4 AECC's expert, Dr. Rosenberg, testified that if the market generation credit is set too low,
5 "customers will not be able to save at all; that is, competition will exist in name only, not in
6 fact."¹⁰ Dr. Rosenberg further testified that there is no similar concern if the shopping credit
7 is set too high, because "the working of a competitive market will serve to bring generation rates
8 to their appropriate levels. In fact that is the only way that a relevant market can develop."¹¹

9 APS's customers and competitors need to know what that generation shopping credit will
10 be before this Settlement is approved. If it is too low, no competition will occur and APS may
11 have shifted some costs to distribution charges and the stranded cost is obviously too high. If the
12 credit is set too high, the generation market will self correct and bring down the generation prices
13 for all customers. All competitors, including APS' competitive affiliate, will offer lower
14 generation prices to Arizona customers to meet the customers' demands for more savings.

15 **5. Freezing APS's Rate of Return on Equity May Be Against the Public Interest**

16 APS's rate of return on equity must be allocated to generation, as Commonwealth has
17 stated previously, so as to create a "level" generation shopping credit. However, that rate of
18 return on regulated services, such as distribution, should be decreased because APS will have less
19 risk and the cost of capital has declined since its last rate case. These matters must be addressed
20 in the unbundled rate case so as to protect the public interest. RUCO's Dr. Rosen raised this
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24 ⁹ *Id.*

25 ¹⁰ Rosenberg Testimony at 5.

26 ¹¹ *Id.* at 9.
27

1 same concern in his prior testimony involving the November 1998 APS/TEP Settlement
2 Agreements.¹²

3 **6. The Premise for Stranded Cost - "the Regulatory Contract" - Is Invalid**

4 During the past several years, APS and the other utilities argued that a regulatory contract
5 or "compact" legally required the reimbursement of potential stranded costs. This premise was
6 destroyed in the recent U.S. West Communications case in which the Appellate Court held that
7 the utility's relationship with the Commission is not contractual.¹³ With the loss of that argument,
8 the Commission should view stranded costs merely as an issue of the financial viability of the
9 utility, and not as a means of rewarding the utility for delaying the benefits of competition.

10 **7. APS's Stranded Costs Are Grossly Overstated and Are Likely Negative**

11 The Settlement includes a generation-related stranded cost of \$350 million which is grossly
12 overstated. RUCO's Dr. Rosen has testified that "APS has a negative strandable cost amount.
13 Therefore, it is not appropriate for APS to collect only additional amounts of stranded cost from
14 customers, as APS would under the [1998 APS] Settlement Agreement."¹⁴

15 Dr. Rosen suggested that the Commission determine the negative stranded costs and reduce
16 the customer's bill with a "wires" credit. He estimated APS's stranded cost at the beginning of
17 1999 as a negative \$1.1 billion during the period of 1999-2020, because the phase-in of
18 competition allows APS to recover those generation costs under its cost-of-service basis.¹⁵ With
19 no competition, because of the barriers mentioned by Commonwealth, this negative stranded cost
20 will be even greater.

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23 ¹² Rosen Testimony at 6 & 15.

24 ¹³ *U.S. West Communications, Inc. v. Arizona Corporation Commission* (1 CA-CV 97-0517) (May 18, 1999).

25 ¹⁴ Rosen Testimony (Nov. 30, 1998) at 14.

26 ¹⁵ *Id.* at 17 and Direct Testimony of Dr. Richard Rosen (Sept. 21, 1998 - *A.C.C. Docket No. E-01345A-98-*
27 *0473*).

1 When asked if the negative stranded cost to APS would be fair, Dr. Rosen testified it
2 would be, because APS can enter the competitive wholesale marketplace through its unregulated
3 subsidiary with no stranded cost, with normal rates of return over the long run. Moreover, "APS
4 would still have a tremendous advantage such as an initial 100 percent share of the retail market,
5 economies of scale, and proximity to customers."¹⁶

6 AECC's Mr. Kevin Higgins testified previously that all customers should have the cost
7 basis from which the competitive transition charge ("CTC") is calculated, so that all customers
8 will know that they are not paying more stranded costs than before competition occurs.¹⁷
9 Commonwealth still believes that is necessary, particularly for residential and small business
10 customers.

11 APS's Dr. Landon testified that the stranded cost recovery mechanism should leave APS
12 with generation assets valued at market prices.¹⁸ APS greatly influences the market price of
13 generation with its generation assets, including its interest in the Palo Verde Nuclear Generating
14 Station which has the lowest priced resource in Arizona, except for hydropower¹⁹. If APS's
15 generation is sold at market value, APS cannot logically claim any stranded costs.

16 Some utilities have stranded generation costs because they have high reserve margins that
17 are not economic in a competitive environment, according to APS's Dr. Landon.²⁰ APS recently
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21 ¹⁶ *Id.* at 18.

22 ¹⁷ Direct Testimony of Kevin Higgins (Nov. 30, 1998 - *A.C.C. Docket Nos. E-01933A-98-0471*) at 5 ("Higgins
23 Testimony").

24 ¹⁸ Landon Testimony at 13.

25 ¹⁹ Testimony of Jack Davis (APS), *A.C.C. Stranded Cost Generic Hearings*, Transcript Vol. XII at 3798 (Feb.
26, 1998).

27 ²⁰ *Id.* at 23.

1 testified before the Commission that it has virtually no reserve margin.²¹ Consequently, APS does
2 not have a reasonable argument for claiming stranded costs based on excess generation capacity.

3 For these reasons, the \$350 million for generation-related stranded costs should be rejected
4 in the Settlement. After unbundling costs, the Commission should conduct a hearing on APS's
5 potential stranded costs.

6 **8. The CTC Should Include Any Potential Recovery of Regulatory Assets**

7 "Regulatory assets" is a subclass of stranded costs in the Commission's Electric
8 Competition Rules.²² The AECC questioned this separation of regulatory assets from the CTC
9 in its testimony on the earlier proposed settlement with APS. Its consultant, Mr. Higgins, said
10 this pricing element would recover approximately \$900 million which represents the lion's share
11 of APS's stranded cost.²³

12 This Settlement hides APS's claim to regulatory assets within its distribution charge.
13 Regulatory assets were viewed by APS's own expert as a component of stranded costs. Dr.
14 Landon testified that stranded costs generally fall into four categories: above market generation
15 assets, regulatory assets, purchased power contracts, and cost required to implement open access.²⁴
16 Any recovery of regulatory assets should be included within the CTC after the Commission
17 determines whether or not those regulatory assets relate to generation and might not be recoverable
18 as a result of competition.

21
22 ²¹ In the generic stranded cost proceeding, Mr. Jack Davis of APS testified that the regional (Western System
23 Coordinating Council) market is expected to have excess capacity until 2006. *A.C.C. Stranded Cost Generic Hearings*,
24 Transcript Vol. XII at 3850 (Feb. 26, 1998). During the recent A.C.C. Special Open Meeting on Summer Peaking
25 Power on June 8, 1999, he said that APS has reached or is near its reserve level.

26 ²² A.A.C. R14-2-1601(35).

27 ²³ Higgins Testimony at 9.

²⁴ Landon Testimony at 5.

1 **9. Regulatory Assets of APS Are Exaggerated**

2 APS's claim for regulatory assets includes generation-related costs, such as coal mine
3 reclamation costs and financing costs for generation.²⁵ APS's Dr. Landon defined regulatory
4 assets as unrecovered costs of energy efficiency programs, low-income programs, and unamortized
5 costs of other deferred expenses.²⁶ The first two items, the energy efficiency and low-income
6 programs, would be recovered by APS through the system benefits charge. APS should be
7 prohibited from shifting generation-related costs to its regulatory asset ledger, and in turn hide
8 those costs in its distribution charge.

9 Recovery of regulatory assets created a "loophole" in the previous settlement proposed by
10 APS, according to the AECC. Its consultant, Mr. Higgins, observed that regulatory assets only
11 become stranded if a utility is unable to recover its regulatory assets at market prices:

12 During periods when market prices are relatively high, APS ought to be able to recover
13 some, or perhaps all, of its regulatory asset charges directly from market sales. However, the
14 Settlement shields APS regulatory asset charges from changes in market prices, and as a result,
15 over-recovery of APS stranded costs is a virtual certainty if this problem is not corrected.²⁷
16 This present Settlement makes this over-recovery worse than before. These regulatory asset costs
17 are bundled into the distribution charge.

18 **10. Stranded Costs Should Not Include Costs of Implementing Competition**

19 The Settlement entitles APS to recover its costs of implementing competition, including
20 the creation of its generation affiliate. During the formulation of the Rules, the recovery of those
21 transition charges was addressed in the context of APS divesting itself of generation assets – not
22 the paper creation of an APS subsidiary for its generation assets. These costs of preparing for
23 competition should be borne by the APS shareholders and not APS customers who desire choice.

24 ²⁵ Testimony of Alan Propper (APS) (June 4, 1999 - this consolidated docket) at 9.

25 ²⁶ Landon Testimony at 5.

26 ²⁷ Higgins Testimony at 9.

1 **11. APS Should Not Be Allowed to Transfer at Book Value Its Generation Assets to Itself**

2 Commonwealth opposes the transfer of APS's generation assets to its unregulated
3 subsidiary at their net book value. They should only be spun-off at market value and the net profit
4 should be used to reduce any stranded costs (whether positive or negative). RUCO's Dr. Rosen
5 offered the same opinion in his November 1998 testimony.²⁸

6 **12. APS's Market Power Is Expanded by the Settlement Because of No Affiliate**
7 **Transaction Rules and APS Retains Control of Its Generation Assets**

8 Market power has been addressed previously in these proceedings. Dr. Mark Frankena
9 testified on behalf of the Arizona Attorney General's Office. In his published work, he described
10 the problems of market power:

11 Market power problems arise when a company operates at two or more stages –
12 fuel supply, generation, transmission, distribution, and marketing – in the
13 production and delivery of electric power. . . Vertical market power can arise
14 when one subsidiary has a monopoly (usually a regulated monopoly) at one stage
15 and a second subsidiary is engaged in a competitive (usually unregulated) activity
16 at another stage.”²⁹

17 Dr. Frankena could have been referring to this APS Settlement when he described vertical
18 market power. He points out that the combination of electric distribution (the monopoly activity)
19 and retail marketing (the competitive activity) raises potential affiliate abuses, particularly (a)
20 discrimination in access to monopoly facilities, (b) other actions to raise costs and reduce
21 availability of inputs used by non-affiliated competitors, (c) improper information sharing, and
22 (d) cross-subsidization and self-dealing.³⁰

23 APS's distribution market power and its offering of competitive services through APS
24 Energy Services create an incentive for APS to discriminate against non-affiliate competitors (and

25 ²⁸ Rosen Testimony at 16-17.

26 ²⁹ Mark W. Frankena, Ph.D., Direct Testimony (Nov. 30, 1998 - A.C.C. Docket Nos. E-01933A-98-0471
27 *et seq.*) which included his work entitled *Addressing Market Power: The Next Step in Electric Restructuring* at 27-28
28 (“Frankena Testimony”).

29 ³⁰ *Id.* at 28.

1 retail customers who purchase from APS's rivals). Because distribution tariffs are set without a
2 ratemaking proceeding, APS is free to allocate its costs between the regulated distribution
3 company and its competitive affiliate. APS has the incentive to exploit its distribution monopoly
4 by shifting general and administrative costs and over expenses to that "wires" business. Thus,
5 APS may induce customers to purchase electricity from either its Standard Offer or its competitive
6 affiliate, because the distribution costs of "access" are driven up and its competitive generation
7 costs are pushed down.

8 Information access by APS creates market power. In the normal course of business, APS
9 has accumulated electric use information from its customers. APS recommends that if a customer
10 is thinking of buying competitive electricity it should contact APS for the tariff and APS will
11 "provide the consumer with the most accurate information in which to compare Standard Offer
12 Service to a competitive alternative"-- instead of having a "generation shopping credit" on the
13 customer's bill.³¹ Each time a customer is thinking of switching, APS will be alerted. It may
14 target that customer for a special Standard Offer discount, allowing APS to price discriminate
15 among retail customers (in ways that other competitors cannot) or pass the lead over to its
16 competitive affiliate. APS has the incentive to share that information with its competitive affiliate.
17 The profitability of entering the Arizona market depends in part on the availability of market
18 information. Even if that information is to be confidential, the inherent incentive is for APS to
19 share that information with its affiliate. Only if competitors are entitled to equal access to that
20 information will there be any disincentive by APS. Without strict affiliate transaction rules, the
21 potential transfer of information from APS to its affiliate raises a significant entry barrier for
22 competitors.

23 The generation affiliate of APS also creates market power concerns. The Phoenix area is
24 a load pocket with APS and Salt River Project having generation ownership of 35% and 65%,
25

26 ³¹ Comments of APS on the Proposed Electric Competition Rules (May 14 1999 - A.C.C. Docket No. RE-
27 00000C-94-0165) at 5, fnote 2 (emphasis in original).

1 respectively, according to Dr. Frankena.³² APS may underprice monopolized electricity and
2 services to its competitive generation affiliate, or overprice electricity sold back to APS's Standard
3 Offer customers or rivals who wish to market generation. This is an exercise of monopoly power
4 resulting in excess profits to APS's shareholders. Nonprice favoritism might occur as well. APS,
5 as a buyer of generation from its affiliate, might refrain from enforcing contracts even though it
6 might enforce those same contractual terms against a third-party supplier.

7 Prevention of these market power abuses start with careful cost allocation of APS's
8 transmission, distribution and generation functions, as recommended by Dr. Rosenberg³³. This
9 must be followed by the advanced implementation of rigid affiliate transaction rules, followed by
10 periodic auditing of those affiliate-related transactions (at the cost of APS). The code of conduct
11 approach will not prevent potential abuses and it does not create any assurances for APS's
12 competitors or the public in general. It is virtually unenforceable because of the high cost of
13 detection and prosecution.

14 APS suggests that the separation of generation to its affiliate will resolve this market power
15 issue. It further claims there are efficiencies by delaying this process. This does not mitigate
16 market power; it extends APS's monopolistic control. Dr. Frankena testified that "market power
17 is the ability of a seller or group of sellers profitably to maintain prices above competitive levels
18 by restricting output below competitive levels."³⁴ APS's generation affiliate would have the
19 freedom to set it own unregulated rates and call them "market-based," if the Settlement is
20 approved. APS could reduce generation output or raise the price of electricity at its own whim.

22
23 ³² Frankena Testimony at 6.

24 ³³ Rosenberg Testimony at 13-15.

25 ³⁴ Frankena Testimony at 8. Dr. Frankena says antitrust market power issues arise if a monopolist increases
26 prices by a small but significant amount (say, 5%) above "the competitive price." With APS already owning 35% of
27 the generation in the Phoenix area, APS has the ability to manipulate prices so that it would not appear its generation
prices are anticompetitive, not unless those assets are divested.

1 APS as a corporate organization could set generation prices to keep out competitors, through this
2 horizontal market power.

3 Commonwealth supports a study of the impacts on electric prices in Arizona be completed
4 before APS is allowed to retain its generating assets, as recommended by Dr. Rosen of RUCO.³⁵
5 Because of substantial risks of market abuses, the unbundling of APS's costs in a ratemaking
6 proceeding must also be completed before competition will seriously begin.

7 **13. Avoidance of Litigation Is a Red-Herring**

8 The settling parties claim the Agreement resolves pending litigation. Therefore, it is in the
9 public interest. Those parties fail to mention that the utilities have lost at every turn during the
10 appeal of the Rules and including in the related case involving the regulatory contract theory. The
11 consumer cost of paying exorbitant stranded costs and regulatory asset charges, in light of these
12 successful defenses against APS and the other utilities, would be against the public interest.
13 Moreover, litigation will likely continue if this unfair Settlement is approved, and only APS, its
14 affiliates and the other settling parties would be free to participate in the competitive market.
15 Most Arizona customers would be denied the savings and other benefits of electric competition.

16 **14. Conclusion**

17 Based upon the previous testimony and all the evidence in these dockets, and the
18 Testimony of Fred Bloom, Commonwealth urges the Commission to reject the Settlement
19 Agreement in its entirety or, at a minimum, incorporate the recommendations of Commonwealth.

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21 **II. WITNESS LIST**

- 22 1. Frederick Bloom, Chairman/CEO of Commonwealth.
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26 ³⁵ Rosen Testimony at 21.
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III. COMMONWEALTH'S SUBJECT AREAS

Without limiting the scope of the inquiry in this proceeding, Commonwealth lists these subject areas:

1. Public Interest Issues
2. The Settlement Process
3. Market Barriers and the Framework for a Competitive Electric Market
4. Customer Access and Phase In Process
5. Unbundled Rates for Standard Offer and Competitive Service Customers
6. Generation Shopping Credit
7. APS's Rate of Return
8. Stranded Costs and Regulatory Assets
9. Provider of Last Resort
10. System Benefits
11. Transfer of APS's Generation Assets
12. Market Power Issues
13. Affiliate Transaction Rules
14. Avoidance of Litigation
15. Tariff Structure

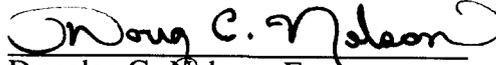
IV. COMMONWEALTH'S EXHIBITS

In addition to the record in the aforementioned dockets, Commonwealth lists incorporates by reference these additional exhibits:

1. Annual reports of Pinnacle West Capital Corporation
2. *The Consumer Guide to Deregulation for the Electric Consumer* (APS-1998)
3. Palo Verde Firm an Nonfirm Price Sheets (1998).

1 RESPECTFULLY submitted this 30th day of June, 1999.

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