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Jane Dee Hull  
Governor

Greg Patterson  
Director

February 2, 1998

Arizona Corporation Commission  
**DOCKETED**

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Jerry Rudibaugh, Chief Hearing Officer  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

*RE-00000C-94-0165*

HAND DELIVERED

Re: Docket No. U-0000-94-165 – Joint Issue Matrix

Dear Hearing Officer Rudibaugh:

Enclosed is a copy of the Joint Issue Matrix that you had ordered in this docket. The joint matrix includes the 11 questions that the procedural orders had specified and the parties' positions on those issues. In addition, the matrix includes the positions of those parties who did not file testimony, but wish to make their positions known. (Those parties are listed in a separate section of the matrix.) By comparing the columns in the matrix, the parties' agreement and disagreement on issues is readily discernible.

In response to your orders at the January 23 procedural conference, on January 26, RUCO distributed the original draft of the matrix, which RUCO prepared based on information provided at the January 22 settlement meeting held at RUCO's offices. RUCO requested that the parties review and modify the matrix as to their position on the issues. RUCO also requested that a response from the parties be received by January 29.

RUCO processed the parties' changes and additions to the matrix draft and mailed the finalized matrix on Friday, January 30, 1998, to assure that all parties would have a copy of the matrix as early in the week of February 2 as possible. The limited time before the procedural conference of February 5 precludes RUCO from further revisions to the final draft of the matrix. For that reason, RUCO has urged the parties to bring any additions or changes to the final matrix draft to the February 5 procedural conference.

Jerry Rudibaugh  
February 2, 1998  
Page 2

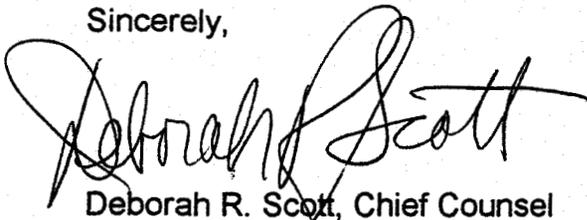
After the finalized matrix was mailed, RUCO received the Fifth Amended Procedural Order of January 29, 1998. RUCO believes that the enclosed matrix meets the requirement that the matrix set forth all the issues on which the parties agree and disagree. However, RUCO seeks clarification on the second requirement set out in the procedural order, which states:

- B) For those issues in which there is disagreement, each party should set forth their respective positions including any applicable law and the manner in which they recommend their disagreement be resolved by the Commission.

It appears that the order may be requiring written statements from each party that may in essence be a prehearing brief. If this is the case, an immediate telephonic procedural conference may be appropriate to clarify this requirement. Because of limited time and resources, RUCO believes that it would be very difficult to incorporate the information required by Section B into the joint matrix. RUCO suggests that any additional information be appended to the finalized issue matrix at the February 5 procedural conference.

If you have any questions or concerns, I may be reached at 279-5659 ext. 349, Teena Wolfe may be reached at 279-5659 ext. 351.

Sincerely,



Deborah R. Scott, Chief Counsel  
Teena Ingram Wolfe, Attorney

cc: All parties of record

**STRANDED COST DOCKET ISSUE MATRIX**

	<p><b>1. Should the Rules be modified regarding s/c? If so, what major modifications to the Rules are necessary?</b></p>	<p><b>2. When should Aff'd Utilities make stranded cost filings?</b></p>	<p><b>3. What costs should be included in s/c and how should those costs be calculated?</b></p>
<p>Arizona Attorney General's Office</p>	<p>Rules should be clarified to show that antitrust law will apply to deregulated electric generation. Clarify definition of market power.</p>	<p>As soon as practical after order.</p>	
<p>Arizona Community Action Ass'n</p>	<p>No erosion of consumer protections.</p>	<p>As soon as practical after order.</p>	<p>Bottom-up, asset by asset approach. Aff'd utils. have burden of proving s/c for generation assets.</p>
<p>Arizona Consumers Council</p>	<p>Support working group definition. No erosion of consumer protections.</p>	<p>At least 6 mos. prior to charging rates.</p>	<p>Need quantified analysis of consumer (residential/rural/low income) impact. Net benefits and costs. Bottom-up, asset by asset approach. Only economic costs an efficient utility would have made:                      1) no discretion over unrecoverable costs;                      2) severe financial distress.                      Social obligation costs ordered by the ACC are not s/c.</p>

Arizona Corporation Commission Staff	Yes. The rules should be modified so "stranded cost" recovery is limited to minimize the impact of recovery on the effectiveness of competition.	60 days after the ruling in the generic stranded cost proceeding.	Top-down approach to identify "uneconomic costs." "Transition revenues" would be recovered to meet Commission-defined criteria.
Arizona Electric Power Cooperative, Inc.	Specify filing rqmts. Recovery from all customers. Specify mitigation rqmts. Prudence review.	When utils choose to file. Filing not possible without specifications in rules.	Market clearing price - blending is appropriate.
Arizona Public Service	Yes. Rules should allow recovery of post-1996 costs under certain circumstances. All ratepayers should pay. Mitigation should be limited to regulated activities. Nuclear fuel disposal should be part of nuclear plant decommissioning.	30 days after ruling in generic stranded cost.	Clarify status of nuclear fuel, post-1996 costs and regulatory assets; modified "lost revenues" approach.
Arizona School Board Ass'n			
Arizona Transmission Dependent Utility Group	Increase burden of proof to show s/c and mitigation.	As soon as practical after order.	Aff'd Utils. should be held to "clear & convincing" standard for burden of proving s/c.

Arizona Utility Investors Ass'n	All customers should pay s/c; "reasonable" standard for mitigation.	Within 60 days of order.	Fair value rate base; revenues lost calculation; costs include fixed costs, fuel cycle and other O&M, purchased power, taxes and regulatory assets.
Arizonans for Electric Choice & Competition, BHP Copper, Cyprus Climax Metals, ASARCO, Phelps Dodge, Ajo Improvement, Morenci Water & Electric	Rules should be supplemented to reflect balancing of customer and utility interests. Otherwise, changes should be made by means of Comm'n orders or directives.	8 months prior to initiation of stranded cost charges.	Stranded costs are limited to regulator-approved, generation-related fixed costs and regulatory assets that a utility does not recover due to the introduction of a competitive generation market and the resultant lower electricity prices.
Citizens Utilities Company	The Regulatory Compact should be explicitly recognized. Stranded FERC and Commission-approved wholesale power costs must be recoverable. Revenues from collateral services cannot offset stranded costs.	Sufficiently after the Rules are finalized for each Affected Utility to evaluate their impacts, restructure its business as necessary and prepare its filing.	Working group definition is acceptable with inclusion of transition and implementation costs. Asset values should be established through a state-wide auction. Stranded costs would be the difference between the values established at auction and the book-values.
City of Tucson	Utilities should bear burden of proof on s/c.	This docket should be extended to include s/c filings.	

Carl W. Dabelstein	Clarify Rules on: a) spent nuclear fuel costs, and b) unrecorded stranded costs. Change Rules to allow s/c recovery from all consumers. Standardize calculation method and recovery mechanism.	As soon as practical after the order from this proceeding.	Any yet-to-be recovered operating or capital cost incurred under the obligation to serve that will likely be unrecoverable in a competitive generation market.
Department of the Navy, Department of Defense, and other Federal Executive Agencies	Link s/c recovery to beginning of retail competition. Provide an explicit date by which estimates for s/c should be filed.	By April 30, 1998.	Generation plants, purchased power contracts, fuel contracts, and regulatory assets that are in excess of their market value. Calculated by determining difference between book (embedded) costs and market value.
Electric Competition Coalition	Nuclear decommissioning should not be a Systems Benefit Charge.	After divestiture if all s/c are not recovered.	Nuclear decommissioning costs should be rolled into appraisal.
Enron Energy Services, Inc.	S/c recovery from all customers. Mitigation, if through expansion, should be through affiliates only.	Within 30 days of final order.	(Divestiture)
Goldwater Institute	Rules should reflect stock market valuation method of determining s/c.	No opinion.	
International Brotherhood of Electrical Workers			

Land & Water Fund of the Rockies	Rules should address the value and effect of non-price factors on calculation of market value (e.g., reliability, name recognition).	No position.	Divestiture preferred. Any administrative calculation method should consider market value factors other than market price (reliability, etc.) in calculation of s/c.
Navopache Electric Cooperative, Inc.	Rules should not be modified. Any changes should occur by order to preserve flexibility of rules.	6 mos. before rates are charged.	Purchased power contracts.
PG&E Energy Services Corporation	No position.	No position.	Avoidable expenses, such as A&G expenses, should not be included.
Residential Utility Consumer Office	Modification of s/c definition to also allow recovery of <u>uneconomic strandable</u> costs from customers taking standard offer service on same basis as customers in competitive generation market. Clarification of mitigation obligations. Modification to show sharing of s/c between ratepayers and investors by means of wires charge. Clarification/modification of factors to be considered in granting recovery of s/c. Modification to implement rate cap, not rate freeze.	After the Commission has ruled on what unbundled generation costs will include.	Generation assets, generation O&M, purchased power agreements, generation regulatory assets & liabilities, and generation-related A&G. Administrative calculation to account for actual retail market price of generation attributable to those assets, subject to annual or bi-annual true-up.

<p>Tucson Electric Power Company</p>	<p>Rules should provide for 100% stranded cost recovery, subject to mitigation efforts and further define and provide procedural and substantive requirements for the recovery of s/c. No prudence review of past decisions. Stranded cost could be other than generation costs (i.e., metering being competitive, marketing costs for selling assets, above market fuel).</p>	<p>120 days after issuance of a Decision in this generic proceeding.</p>	<p>Generation assets, generation O &amp; M, purchased power and fuel agreements, generation regulatory assets and liabilities, generation-related A&amp;G and any other potentially stranded cost/asset. Administrative calculation to determine the difference between future revenues under traditional regulation and a competitive regime.</p>
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	<b>3a. What is the recommended calculation methodology, and what assumptions are made, including determination of market clearing price?</b>	<b>3b. What are the implications of SFAS No. 71 resulting from the recommended s/c calculation and recovery methodology?</b>
Arizona Attorney General's Office		
Arizona Community Action Ass'n		
Arizona Consumers Council	Economic and efficient costs. Stranded cost recoverability. 50-50 shareholder-ratepayer. Allocation to residential and non-residential. Consideration of basic and universal service which are not stranded costs. No double counting (see Mark Cooper, p. 3 and MNC-9).	No change should negatively impact residential consumers.
Arizona Corporation Commission Staff	Top-down approach to identify "uneconomic costs." The market clearing price should be based on analysis of a range of projected retail prices, including regional prices, that end-use customers will see.	The implications of SFAS 71 will not be determinable until the regulated cash flows of a utility are established.
Arizona Electric Power Cooperative, Inc.		
Arizona Public Service	Modified "lost revenues" method. Market price would be actual market price @ PV less California administrative and transmission costs (including losses).	None from the Company's proposal.

Arizona School Board Association		
Arizona Transmission Dependent Utility Group		
Arizona Utility Investors Ass'n	Calculation: fair value rate base; revenues lost calculation; costs include fixed costs, fuel cycle and other O&M, purchased power, taxes and regulatory assets. No assumption regarding market clearing price.	No SFAS 71 implications.
Arizonans for Electric Choice & Competition, BHP Copper, Cyprus Climax Metals, ASARCO, Phelps Dodge, Ajo Improvement, Morenci Water & Electric	Divestiture is the most accurate means to ascertain stranded cost, but an administrative alternative is also proposed. The administrative alternative uses net revenues lost to estimate strandable cost on a year-to-year basis (over 3 to 5 years), but total strandable cost calculated using replacement cost valuation is the maximum allowed over the period. The transition charge recovers 35% of strandable cost, while 65% of strandable cost is deemed to be at-risk to the utility, to be recovered through mitigation activities.	Impact dependent on numerous factors.

Citizens Utilities Company	Working group definition is acceptable with inclusion of transition and implementation costs. Asset values should be established through a state-wide auction. Stranded costs would be the difference between the values established at auction and the book-values.	Auction-approach avoids SFAS issues.
City of Tucson		
Carl W. Dabelstein		
Dept. of the Navy, Dept. of Defense, and Federal Executive Agencies		
Electric Competition Coalition		
Enron Energy Services, Inc.		
Goldwater Institute		
International Brotherhood of Electrical Workers		
Land & Water Fund of the Rockies	Divestiture preferred. Any administrative calculation method should consider market value factors other than market price (reliability, etc.) In calculation of s/c.	
Navopache Electric Cooperative, Inc.		

<p>PG&amp;E Energy Services Corporation</p>	<p>Generation asset sales, including nuclear, to highest bidder.</p>	<p>Regulatory assets assigned to distribution, based on original non-accelerated schedule, results in no F.S.A.B. 71 issues.</p>
<p>Residential Utility Consumer Office</p>	<p>Administrative valuation. Assumptions:  1) Aff'd Utils.' generation resources have an expected operating life of 15-25 yrs.  2) Market price for retail generation should be based on avg. retail cost of power for each customer class.  3) Types of costs incurred to provide retail generation services include generation-related customer services, ancillary services, marketing &amp; advertising, generation-related A&amp;G services, profits and income taxes on profits, and other taxes in addition to wholesale generation costs.  4) Regulated price for generation must also be projected over calculation period (using utility financial model).</p>	<p>The nature of an asset may change due to the characteristics of its ultimate cost recovery. If assets carried on books as distribution-related are allowed s/c recovery, they must be properly unbundled as generation costs.</p>
<p>Tucson Electric Power Company</p>	<p>"Net Revenues Lost" method. Market price should be the Palo Verde Index ("PVI") which will equilibrate the PX price (net of transmission and transaction costs). Affected utilities should have the option to utilize auction and divestiture.</p>	<p>TEP's proposal provides the revenue stream necessary to meet the criteria under SFAS 71.</p>

	4. Limitation on calculation period?	5. Limitation on recovery period?	6. Who should pay for s/c? Who, if anyone, should be excluded?
Arizona Attorney General's Office	(Stock market price valuation)	No more than 5 yrs.	70/30 sharing between consumers and Aff'd Utils. based on consumers' historical usage.
Arizona Community Action Ass'n		3-7 yrs.	Customers in competitive market only.
Arizona Consumers Council	Prior to December 26, 1996.	(3), 5 (most reasonable) - 7 years, max.	Only those in competitive market. 50-50 sharing between shareholders and ratepayers. See #9.
Arizona Corporation Commission Staff	Maximum period is the expected life of generation assets.	5 yrs or less.	Transition revenues should be recovered through a non-bypassable customer charge on <u>all</u> distribution customers.
Arizona Electric Cooperative, Inc.	Term of all-rqmts. contracts	No preset limit.	All customers.
Arizona Public Service	Yes. Through 2006.	Same as calculation period.	No one included except those that leave system.
Arizona School Board Ass'n			Exemption for schools is in the public interest.

Arizona Transmission Dependent Utility Group	Through transition period.	It's between the customer and the Utility to determine the time period.	Only competitive customers should pay.
Arizona Utility Investors Ass'n	10-20 yrs.	4-7 yrs.	All consumers; no exclusions.
Arizonans for Electric Choice & Competition, BHP Copper, Cyprus Climax Metals, ASARCO, Phelps Dodge, Ajo Improvement, Morenci Water & Electric	3-5 yrs, if admin. method used.	3-5 yrs.	35% by consumers under proposed administrative method (if divestiture, 50%). Self generation, DSM and interruptible load customers should be exempted.
Citizens Utilities Company	Consistent with remaining: asset service lives; contract terms; and regulatory asset amortization periods.	Reasonable limit that balances need to recover against customer impact.	All customers.
City of Tucson			kWh charge with exclusions in existing rules.

Carl W. Dabelstein	A Net Revenues Lost approach with a periodic true-up to reflect actual market price.	Potentially significant write-offs once the Rules are specific and less than full recovery of stranded costs is likely. Recoveries must be obtainable through regulatory revenues. Key income tax considerations, include recoveries of past flow-through and use of tax reserves to offset stranded costs.	A kWh/kW charge to all customers, except those leaving the service territory, with distinctions between standard offer customers and those taking competitive power.
Dept. Of the Navy, Department of Defense, and Federal Executive Agencies	Remaining life of assets; For purchase power and fuel contracts - the term of those contracts; Current recovery period for regulatory assets.	4-6 yrs.	All customers with possible exception for self-generation.
Electric Competition Coalition	(Divestiture)	4 yrs.	
Enron Energy Services, Inc.	(Divestiture)	4-5 yrs.	All consumers. Allocate by rate design.
Goldwater Institute	(Stock market price valuation)	4-7 yrs.	Fixed fee based on historical consumption. No position on sharing.

International Brotherhood of Electrical Workers			
Land & Water Fund of the Rockies	No position.	No position.	Recovery should be volumetric. Customers leaving grid (e.g. self-generators) should be excluded from s/c recovery.
Navopache Electric Cooperative, Inc.	Book life of assets; 15 yrs. max.	Flexibility; 7 yrs. max.	Consumers. No double collecting. Allocate by rate design.
PG&E Energy Services Corporation	Lifetime of assets.	4 yrs.	
Residential Utility Consumer Office	15-25 yrs. Timeframe depends on remaining operational life of current generation assets.	If positive, stranded cost should not be recovered beyond end of transition period. If strongly negative, stranded cost could be recovered as negative charge (credit) beyond the transition period.	S/c should be shared between ratepayers and shareholders. 50/50 is reasonable initial split, but actual split should be determined by ACC on utility specific basis. Non-bypassable, nondiscriminatory wires charge or competition transition charge (CTC) paid by <i>all</i> retail customers in Aff'd Utils.' service territories.

Tucson Electric Power Company	Service lives implicit in current book depreciation rates, contract periods for fuel, and recovery periods for applicable regulatory assets and liabilities.	75% s/c securitization with remaining 25% portion (CTC) collected by the end of 2004.	TEP proposes a non-bypassable CTC paid by all consumers.
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	<b>7. Should there be a true-up mechanism? How should it operate?</b>	<b>8. Should there be a Rate Cap/Price Freeze? How should it be calculated?</b>	<b>9. What factors should be considered for mitigation of s/c?</b>
Arizona Attorney General's Office	Not necessary with market valuation methodology.	No.	Stock market valuation takes care of need to mitigate.
Arizona Community Action Ass'n	Only if necessary in order to distribute negative s/c to consumers.	Yes.	Cost reductions, refinancing, utility revenue enhancements.
Arizona Consumers Council	Only if necessary; must not raise s/c rate for residential consumers.	Cap + rate reduction.	As many as possible. Provide financial incentive to mitigate, not 100% s/c recovery. Cooper suggests: 1) write-down of plant with stockholders at risk and 2) recovery from non-basic services.
Arizona Corporation Commission Staff	No, if the Commission decides to allow "transition revenues" that are less than the amount of estimated uneconomic costs.	Price cap is appropriate to guard against the unbundled rates totalling more than standard offer.	Staff is not recommending specific mitigation standards. No or partial recovery of uneconomic costs is the best incentive to mitigate "uneconomic costs."
Arizona Electric Power Cooperative, Inc.	Yes.		Should be jurisdictionally tied.

Arizona Public Service	Only required to true-up one time during second year (2000).	No.	ACC should count pre-1999 rate reductions as mitigation. Reduced costs of service and above market margins from competitive sales during transition period. Profits or losses from other business ventures not considered.
Arizona School Board Ass'n			
Arizona Transmission Dependent Utility Group	Not necessary with direct assignment and refund method.	No.	Mitigation efforts should not be limited.
Arizona Utility Investors Ass'n	Ambivalent.	No.	Power production costs including reduced O&M, refinancing, renegotiation of fuel and purchased power contracts, securitization, recent rate reductions.
Arizonans for Electric Choice & Competition, BHP Copper, Cyprus Climax Metals, ASARCO, Phelps Dodge, Ajo Improvement, Morenci Water & Electric	Yes, if administrative process is used to determine s/c but should be limited to adjustments for market price. 35/65 split makes trueing-up of other variables unnecessary.	Cap - yes. Freeze - no.	35/65 split of s/c between ratepayers and Aff'd Utils. promotes mitigation.

Citizens Utilities Company	Citizens' proposal does not require a true-up mechanism, because nothing should be left to true-up.	No.	Present standard unachievable ("every feasible cost-effective measure"). Utilities should vigorously pursue mitigation, but burden of proof should be on the party arguing that mitigation was not pursued.
City of Tucson	Only if necessary at end of designated divestiture period.	Cap - yes. Freeze - no.	Mitigation should be compelled. Penalties should apply for failure to mitigate. Rules should define mitigable expenses. Increase in value of distribution system due to restructuring should be examined.
Carl W. Dabelstein	Annual true-up to correct for errors in estimating the market clearing price.	Parties advocating price caps/rate freezes should provide all relevant details of their plan, including the services to be affected, and whether the ACC has the authority to do so unilaterally.	Principal mitigation tools are: cost reduction and revenue enhancement (with utility resources only). Accelerating depreciation and amortization with corresponding cost recovery and/or delaying the commencement of competition will also serve to mitigate s/c.

<p>Dept. of the Navy, Dept. of Defense, and Federal Executive Agencies</p>	<p>Possibly. If allowed, limited to correcting for significant mis-estimates of s/c during period Commission finds appropriate for s/c recovery.</p>	<p>Yes. Current rates should be unbundled into component parts with a component for stranded cost recovery.</p>	<p>Renegotiation of uneconomic purchased power &amp; fuel contracts, using cancellation &amp; termination clauses. Entry into new markets for power. Securitization. Maximization of tax deductions. Accelerated depreciation and amortization. Retire uneconomic plant. Reduce overhead. Extend life of economic plant, etc.</p>
<p>Electric Competition Coalition</p>		<p>Supports consumer aggregation as opposed to cap. No freeze.</p>	<p>Aff'd Utils. should describe mitigation efforts.</p>
<p>Enron Energy Services, Inc.</p>	<p>Only if necessary at end of designated divestiture period.</p>	<p>Rate cap for s/c recovery period.</p>	<p>Divestiture. Buy out, buy down of contracts.</p>
<p>Goldwater Institute</p>	<p>Not necessary with market valuation methodology.</p>	<p>No rate cap. No price freeze.</p>	<p>Stock market valuation takes care of need to mitigate.</p>
<p>International Brotherhood of Electrical Workers</p>			

Land & Water Fund of the Rockies	No position.	No position.	Capture benefits of growth. Extend amortization of certain assets (e.g. regulatory assets, production assets).
Navopache Electric Cooperative, Inc.	Yes, if administrative process is used to determine s/c.	No.	Utility by utility basis.
PG&E Energy Services Corporation	No. If no divestiture, no s/c recovery.	Generally yes.	Cost allocations, service growth, return on equity for generation, costs of competitive infrastructure (e.g., ISO) and affiliate separation.
Residential Utility Consumer Office	Yes, annually or bi-annually to account for actual retail market price, including if the market valuation/ divestiture approach is used. True-ups should occur during transition period, with final true-up in 2002.	No rate freeze. Price cap on generation rate for standard offer service at or below regulated level to insure customers see benefits of competition. Generation price for standard offer service should be set at administratively determined market price of retail generation.	Cost reduction measures to bring embedded costs of generation down closer to market price, such as renegotiating purchase power contracts, selling excess generating capacity, and increasing efficiency & productivity.

<p>Tucson Electric Power Company</p>	<p>True-up mechanism should resemble that of the former fuel adjustment clause in which a band was set based on forecasted prices. True-up would occur to the extent that revenues exceed the band ceiling or floor.</p>	<p>TEP's proposal requires rates to be fixed at some level to recover s/c via the CTC through 2004 and securitization of 75% of s/c. The difference in PVI and the fixed generation component of the customer's bill is the CTC which will offset the s/c amount. Competitive customers will be credited the PVI and the generation difference or CTC will offset the s/c amount.</p>	<p>Asset sales, renegotiating uneconomic contracts (i.e., fuel) pursuing economic development projects, and continually attempting to lower marginal costs (i.e., VSP, corporate reengineering). NOTE: mitigation efforts themselves may lead to additional s/c (i.e., marketing cost of selling assets and income tax effect of sale).</p>
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**STRANDED COST DOCKET ISSUE MATRIX**  
**PARTIES THAT DID NOT FILE TESTIMONY**

	<b>1. Should the Rules be modified regarding s/c? If so, what major modifications to the Rules are necessary?</b>	<b>2. When should Aff'd Utilities make stranded cost filings?</b>	<b>3. What costs should be included in s/c and how should those costs be calculated?</b>
Arizona Municipal Power Users Association			

<p>Arizonans for a Better Environment</p>	<p>No erosion of consumer protections. Absent divestiture (the ABE-preferred alternative) rules should reflect market-based method of determining stranded cost value (provisionally, a la Goldwater Institute, Electric Competition Coalition approaches). If an administrative approach is employed, Rules should address value and effect of non-price factors on calculation of market value (Land &amp; Water Fund approach, which ABE supports). If cost-sharing approach (a la RUCO, which ABE could support as "second-best" to market-based approach) adopted, rules should be modified per RUCO's recommendation. Clarify mitigation requirements. Clarify factors considered in allowing recovery of stranded costs. Clarify nuclear waste and decommissioning rules (a la Electric Competition Coalition). Clarify Rules to show that antitrust laws apply to deregulated electric generation.</p>	<p>As soon as practicable after Order (or divestiture) and at least six months before rates are charged.</p>	<p>If appraisal approach adopted, nuclear waste and decommissioning costs should be rolled into appraisal. Assuming non-market approach, ABE agrees with Land &amp; Water Fund that reliability and other factors beyond market price should enter into calculation of stranded costs and provisionally supports RUCO's recommendations on this question.</p>
<p>Center for Energy and Economic Development</p>			
<p>City of Phoenix</p>			

City of Scottsdale			
Duncan Valley Electric Power Cooperative			
Graham County Electric Power Cooperative			
Salt River Project	Yes in order to provide for consistency, fairness, and timeliness of stranded cost resolution.	In time for rulings to be completed and implemented with competition.	1) Power plants and related costs: generation-related assets, common plant, plant additions, A&G expense, property taxes, and financing costs; 2) Regulatory assets; 3) Contractual obligations to purchase power and fuel.
Southwest Gas Corporation			
Sulphur Springs Valley Electric Cooperative			
Trico Electric Power Cooperative			

	<b>3a. What is the recommended calculation methodology, and what assumptions are made, including determination of market clearing price?</b>	<b>3b. What are the implications of SFAS No. 71 resulting from the recommended s/c calculation and recovery methodology?</b>
Arizona Municipal Power Users Association		
Arizonans for a Better Environment	<p>ABE supports divestiture and market-based (appraisal) approaches. ABE opposes net revenue lost approach. If administrative approach employed, reliability, efficiency and other factors should be considered. Relatedly, pollution control and similar costs (constituting legitimate price-internalization of external costs) should not be treated in such a manner as to produce a windfall to utilities and shareholders.</p>	<p>ABE has no comment at this time but will review any testimony, points and authorities filed on this issue.</p>
Center for Energy and Economic Development		
City of Phoenix		
City of Scottsdale		
Duncan Valley Electric Power Cooperative		
Graham County Electric Power Cooperative		

Salt River Project	The revenue lost method. Market price is a key element - suggest a small working group to recommend one unified approach to forecasting market price.	If stranded cost recovery does not allow for 100% recovery of regulatory assets, FAS No. 71 may require immediate write-downs resulting in negative impacts on financial statements.
Southwest Gas Corporation		
Sulphur Springs Valley Electric Cooperative		
Trico Electric Power Cooperative		

	<b>4. Limitation on calculation period?</b>	<b>5. Limitation on recovery period?</b>	<b>6. Who should pay for s/c? Who, if anyone, should be excluded?</b>
Arizona Municipal Power Users Association			
Arizonans for a Better Environment	ABE has no position on this issue at this time. (Not relevant under preferred approaches.)	RUCO proposal or no more than 6 (six) years.	Should be shared by taxpayers and shareholders. Any rate design should reflect efficiency and reliability factors and demands among classes.
Center for Energy and Economic Development			
City of Phoenix			
City of Scottsdale			
Duncan Valley Electric Power Cooperative			
Graham County Electric Power Cooperative			
Salt River Project	The life of individual plants.	5-7 yrs.	All customers. No pooling between companies. Only exception - customers who self generate and who affirm that back-up is not required.
Southwest Gas Corporation			

Sulphur Springs Valley Electric Cooperative			
Trico Electric Power Cooperative			

	<b>7. Should there be a true-up mechanism? How should it operate?</b>	<b>8. Should there be a Rate Cap/Price Freeze? How should it be calculated?</b>	<b>9. What factors should be considered for mitigation of s/c?</b>
Arizona Municipal Power Users Association			
Arizonans for a Better Environment	Only if administrative approach. If so, provisionally support RUCO's position.	No freeze. Cap if linked to rate reduction, at or below regulated level.	Generally support cost reduction measures to bring embedded costs of generation down closer to market price. (RUCO.) Could support various intervenor suggestions for appropriate refinancing, renegotiation, etc. "Mitigation" effort should be enforceable commitments with penalties for failure to mitigate.
Center for Energy and Economic Development			
City of Phoenix			
City of Scottsdale			
Duncan Valley Electric Power Cooperative			
Graham County Electric Power Cooperative			

Salt River Project	Annual true-ups based on an agreed upon formula.	Price caps based on class-average rate levels at the commencement of competition.	All efforts to reduce existing generation cost obligations over the remaining life of plants. Believe a rate cap provides an incentive for mitigation. Examples: re-negotiation of contracts that result in a net savings, acceleration of plant write-downs, and acceleration of regulatory asset write-offs.
Southwest Gas Corporation			
Sulphur Springs Valley Electric Cooperative			
Trico Electric Power Cooperative			