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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
COMMISSIONER - CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

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IN THE MATTER OF THE COMPETITION IN) DOCKET NO. RE-00000F-94-0165
THE PROVISION OF ELECTRIC SERVICES) INITIAL BRIEF OF ARIZONA
THROUGHOUT THE STATE OF ARIZONA.) SCHOOL BOARDS ASSOCIATION

INTRODUCTION

Pursuant to the Chief Hearing Officer's directive, the Arizona School Boards Association ("ASBA") hereby submits its Initial Brief in connection with the "stranded cost" hearings recently concluded in the above-captioned proceeding. As requested by Mr. Rudibaugh, the discussion set forth below specifically addresses the issue identified in the Commission's December 1, 1997 Procedural Order and December 11, 1997 First Amended Procedural Order which is of substantial interest to ASBA. That issue is Issue No. 6, and the question of "who, if anyone, should be excluded from paying for stranded costs?"

DISCUSSION

ASBA's Objective and Timing:

ASBA is committed to the development and implementation of an energy strategy which results in energy savings for all of its members. The retail electric industry in Arizona is in a period of transition to competition, and ASBA is pursuing an energy strategy which can provide significant, continuous cost savings to Arizona schools.

In December, 1997, following issuance of the aforementioned Procedural Order, ASBA concluded it should seek intervention in the "stranded costs" proceeding and (i) provide an answer

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1 to Issue No. 6 and (ii) simultaneously request a variance or exemption for its members from any
2 "stranded cost" recovery programs which might result from the hearings that were about to
3 commence. A.A.C. R14-2-1615(C) is somewhat vague as to when an application for a variance
4 or exemption should be filed in relation to a rule that is still in the process of development and
5 refinement, such as the "stranded costs" regulations. Rather than run a risk that it might be told
6 by the Commission at some later date that it should have provided an answer to Issue No. 6 or
7 filed its application at an earlier point in time, ASBA decided to intervene in the initial hearings
8 on the subject and address the aforementioned matters through the testimony of Mr. Broderick.
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12 ASBA's "Public Interest" Concern:

13 As Mr. Broderick further testified, ASBA members and their activities impact the entire
14 State of Arizona. Its membership is comprised of approximately 210 public school boards.
15 Approximately 725,000 students attend public schools operated by its members. In discharging
16 their responsibility to oversee the public education of this segment of the State of Arizona's
17 citizens and future leaders, ASBA's members are presently confronted with severe constraints
18 upon the financial resources available to them through no fault of their own.
19

20 In their case, the proverbial energy dollar saved or cost avoided is a dollar made available
21 for other public education purposes, or, alternatively, a dollar that will not have to be raised
22 through taxes upon Arizona residents. When viewed from this perspective, the energy program
23 objectives of ASBA and its members, and the resulting impact upon those whom they serve, are
24 clearly of a public interest nature. Accordingly, as Mr. Broderick testified, ASBA believes its
25 circumstances qualify its members for a variance or exemption pursuant to A.A.C. R14-2-
26 1615(C).
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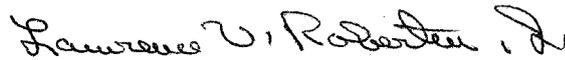
1 In this regard, as Mr. Broderick testified, ASBA believes that the economic effect from
2 the variance or exemption it seeks can be offset completely, through past and future mitigation
3 of costs (some of which are NOT stranded) by Affected Utilities who serve its members. In
4 addition, Mr. Broderick indicated the Affected Utilities have received tax relief that has reduced
5 funds available for education. Such relief continues to increase and is many multiples greater
6 than the cost of granting an exemption for schools.
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8 Reply Brief:

9 Rather than attempt to guess in advance the precise arguments participants may make in
10 their respective Initial Briefs, ASBA will consider them upon receipt and respond as appropriate
11 or necessary in its Reply Brief.
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13 DATED: March 16, 1998.

14 RESPECTFULLY SUBMITTED,

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