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**Ray T. Williamson**  
**Acting Director**  
**Utilities Division**  
**Arizona Corporation Commission**

Docket #: RE-00000C-94-0165

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**RESPONSE TO PROPOSED SETTLEMENT ON  
STRANDED COSTS**

~~Arizona Corporation Commission~~  
**DOCKETED**

**BY AL STERMAN FOR THE  
ARIZONA CONSUMERS COUNCIL**

**MAY 26 1998**

DOCKETED BY

**Items in bold are additions to the comments of the Arizona Consumers council that were sent to Jack Rose, Executive Secretary last week. With this proposed settlement, we presume that the Arizona Corporation and Staff will weigh both hearing officer Rudibaugh's proposed order and the proposed settlement before making their decision. The Arizona Consumers Council will respond to hearing officer Rudibaugh's order.**

**Also, we are unclear as to the role of the Arizona Consumers Council and any other parties in relation to this proposed settlement. What if some parties disagree with the terms? Will Staff submit this proposal for Commission action if there is significant opposition or will hearing officer Rudibaugh's proposed order be submitted for action? Will all parties need to sign off on this proposal for the Commission to take its action?**

**TRACKS**

**A. Does divestiture insure 100% of Stranded costs or just the opportunity to recover the differences between the book value and the sale of the generation assets? From all the discussions, will the utilities have a guarantee or the opportunity for such recovery. The book value may be very high despite the Commission's acceptance of prudence at the time. The time period for recovery must be reasonable and should only involve**

those participating in competition. Captive consumers on standard offer are paying off their portion of stranded costs in the regulated rates.

B. We, the Arizona Consumers Council, are not comfortable with Net Lost Revenues approach as it leaves it to the utilities to really determine stranded costs. Basing revenues on the wholesale market while collecting from retail customers puts small customers at a distinct disadvantage. It will take a close reading by staff and the Commission to come up with acceptable numbers. The saving grace for this proposal is probably 50% recovery But 50% of what? A very high number could sink competition before it starts. **In your most recent communication dated 5/19/98, you do not indicate if an affected utility does not divest its generation assets what level of stranded cost recovery would be available to the utility. In our initial discussion the figure mentioned was 50% based on net revenues lost. Is this still the program? The only mention of recovery is 100% of unmitigated stranded costs if the affected utility divests. This needs to be clearer on this issue before the Arizona Consumers Council can sign on.**

## **METERING AND BILLING**

I am concerned that residential consumers will be saddled with the cost of purchasing meters which will have little or no economic value to them. While meters can offer some control by the consumer in choosing when to use certain appliances, the costs for those meters may be too far into the future to be of current economic benefit. If a consumer buys a meter from one company, they must be able to transfer it to another provider doing billing and metering. The commission must build in protocols so that meters are useful to other providers. Consumers who buy or must lease a meter must be able to gain a benefit if they are thrust into this market. **The new statement does not really give the consumer the option of purchasing, renting or having the affected utility keep possession of the meter and billing as they do now. How will this be handled under the new proposal?.**

## **TARGETED RATE REDUCTION**

I am intrigued by the concept of a menu of benefits offered to residential and small business consumers; those who consume less than one mg of electricity. I think those benefits must be spelled out prior to the introduction of competition. As to a rate reduction over 4 years, the date certain for the reduction should start on January 1, 1999. If a date is chosen anytime prior to the competitive start date, the rate reduction is illusionary since rates have been coming down for the last few years. **The reductions should be in addition to those already programmed and/or announced by the utilities. The menu described does not seem to give residential consumers much in benefits.**

The pilot residential program must be accompanied by an educational campaign so that residential, small business and other vulnerable consumers will know how to shop in this new market. They must be educated to be able to comparison shop; compare apples to apples in analyzing the different products and services that will be made available. **They must also be made aware of the different mixes of fuels so that they can make sound financial or other choices. Will there be an educational program to show groups of consumers how they can aggregate so that they can, if they wish, take advantage of competition. Can consumers with 20kW aggregate at any time during the phase in period to get into the competitive market. What about consumers with less than 20kW? Will they ever realistically be able to get into the competitive market? Will small residential consumers be able to aggregate to achieve market power as other groups.**

## **AGGREGATION**

Rules insuring that aggregation is available to all consumers under a variety of scenarios. Small users of electricity can probably only benefit through aggregation in achieving lower prices. The use of the pilot may help to analyze different methods of aggregation. See above.

## **OTHER**

We still believe a rate cap, not a rate freeze, is essential to protect residential, small business and other vulnerable consumers. The standard offer must be the ceiling for rates during the transition and when competition

goes into effect after two years. This needs to explained in the rules. If competition is to bring benefits to consumers it must be beneficial to all.

The commission must develop the rules governing the provider of last resort subsequent to the onset of competition. An easy and swift methodology needs to be implemented to assure that those who wish and need electricity are able to get it on demand. The current thinking on changing suppliers, setting up new service, being dropped by a supplier or a supplier leaving the market is a best cumbersome. Dispute settlement must not be allowed to continue for even a very short period if it means that a consumers can be deprived of electricity;. Health and safety considerations must be in the forefront. Consumers must have immediate access to electricity.

**The current proposal makes no mention of a rate cap. The Arizona Consumers Council is committed to a rate cap or some other means of protection for small consumers. They must be able to receive the benefits of competition. These benefits must not only go to large consumers and new players. In the long run competition will not work if all do not benefit.**



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