

EXCEPTION



0000121143

BEFORE THE ARIZONA CORPORATION COMMISS.

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

~~Arizona Corporation Commission~~

DOCKETED

MAY 29 1998

DOCKETED BY *Amh*

RECEIVED
AZ. CORP COMMISSION

May 29 4 09 PM '98

DOCUMENT CONTROL

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

DOCKET NO. RE-
0000C-94-0165
FORMERLY U-0000-94-165

RESPONSE TO THE OPINION AND ORDER FILED BY THE CHIEF HEARING OFFICER, JERRY RUDIBAUGH, MAY 6, 1998

By Barbara Sherman, for the Arizona Consumers Council

- I. It is important to note that the opinion and order filed by the Chief Hearing Officer includes careful consideration of the issues, whether or not we agree 100% with them.
2. It is also important to note that the interests of small residential and other consumers received some consideration in this order, notably
 - A. with the "sharing of stranded costs between ratepayers and shareholders." (p. 9, lines 4 -5)
 - B. with the objective "to minimize the stranded cost impact on the customers that remain on the standard offer." (p. 9, lines 16 - 17)
"It is not the Commission's intent to have small consumers pay higher short-term costs in order to provide lower costs for the larger consumers." (p. 9, lines 20 - 22) And also, "It was the Commission's intent in Rule 1607(J) to make sure customers on the standard offer were not charged stranded costs as part of a transition charge in addition to an identical allocation as part of the standard offer. As a result, all customers connected to the transmission and distribution systems will be paying a share of stranded costs in some form but there will be no double charge allowed." (p. 16, lines 15 -18)
 - C. with the truthfulness test: "It is the Commission's intent that customers of the Affected Utilities be given the bottom line results of stranded costs. It should not be called a decrease unless it is a decrease on the overall bill." (p. 9, lines 26 - 28)
 - D. with recognizing that negative stranded costs should benefit the consumers. "If the stranded cost amount is determined to be negative, ratepayers and shareholders should receive an equal share of such amount." (p. 12, footnote 6, line 28)
 - E. with understanding the concerns of small consumer groups:

p. 2, Response to Opinion and Order, May 6, 1998 by AZ Consumers Council

"We share the concerns expressed by small consumer groups. If small consumers are not going to have benefits in the short run, they should not be unfairly burdened with increased rates resulting from the transition costs.

(p. 18, lines 15 – 17)

and,

F. with recognizing the threat of exemptions from stranded cost payments as "cost shifting". (p. 19, lines 5 –6)

We, the Arizona Consumers Council appreciate and concur with these opinions. We are concerned with the staff attempt to circumvent this Opinion and Order and ask that these above opinions be incorporated within any final order by the Arizona Corporation Commission.

In addition, it must be noted that the order in which actions take place is important. Dr. Mark Cooper, the Arizona Consumers Council's national expert, stresses the following order:

1. The decisions about and calculations of stranded costs
2. The sharing of stranded costs between customers and shareholders at 50%
3. The financial integrity test
4. The mitigation of stranded costs by the utility company.

The Opinion and Order allows the utility companies to keep mitigation savings as an incentive. (p. 9, lines 9 – 10)

As "deregulation" or "restructuring" has been developing in Arizona, our concerns about it have grown. The ability of the vested utility, marketer and large consumer interests to influence policy have made it very difficult for small consumers to receive consideration in the processes at the Commission and the Legislature. We believe that this Opinion and Order recognizes our interests in its opinions.

This entire process has been driven by the large vested interests--utilities, marketers and large consumers. These interested parties have risks but also have the knowledge and resources to generally benefit from the "deregulation" or "restructuring" of electricity generation.

At this point in time small (residential and other) consumers face the probability of being shut out of competition in early phases, in contrast to the original Rules by the Arizona Corporation Commission.

While small consumers are being shut out, large users have contracted for discounted electricity prices. It is imperative that the government agencies which are setting forth these policies, that shut out small consumers, act to protect small consumers from paying for the discounts of these large users.

To this end, the additional following actions must occur:

- A. Adequate monies for and an adequate education program must be forthcoming to inform small (residential and other) consumers. Since the legislature failed to provide monies, the Arizona Corporation Commission must meet its constitutional mandate and help protect the small consumer.
- B. Adequate monies must be collected for Systems Benefit Charges to pay for-- not only the existing but also-- the additional problems that will develop under "deregulation" or "restructuring", i.e., the move to competition.
- C. In particular, the Arizona Corporation Commission must continue its long standing practice of evaluating contracts to make sure that costs are not shifted from large to small consumers.
- D. The Arizona Corporation Commission must provide to the public information about allocation of costs for different classes of customers, including aggregated information on contracts, so that policy and procedural corrections can be made. Of especial moment are the situations in which large consumers are not paying their fair share of costs and small consumers are paying more than their fair share of costs.
- E. Protections must be created for small consumers with relation to changes of provider, disconnects and reconnects, and provider of last resort.
- F. Some system of parity must be established among all providers and sellers for legal, operational and other requirements.
- F. Reliability must be preserved throughout the transition and change into the future.
- G. Renewables are an important social and environmental component of a sustainable electricity system. They must be included in the competitive system.
- H. Because the threats to small (residential and other) consumers are growing rather than diminishing, we believe that the standard offer must continue past deregulation. We also encourage the development of a basic service package for small (residential and other) customers, but especially for low-income consumers.

Page 4, Response to Opinion and Order, May 6, 1998 by AZ Consumers Council

I. We recommend that the preferred calculation methodology of small consumer groups, the "Bottoms Up" approach be used if utility providers do not divest their generation assets.

J. THE BOTTOM LINE. We will continue to hope for a rate reduction and will appreciate efforts by all to make it happen.

K. Anti-trust protection will become increasingly important for consumers during competition. The Arizona Corporation Commission and the Attorney General's Office need to work together.

We reserve the right to make additional comments as needed. Thank you.
Submitted May 29, 1998, with copies being sent to the service list.