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AZ CORP COMMISSION
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July 2, 1998

Ray T. Williamson
Acting Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

Arizona Corporation Commission
DOCKETED

JUL 06 1998

Re: 00000-C-94-0165

DOCKETED BY *tmw*

Dear Mr. Williamson:

Enclosed are the original and 10 copies of our comments on the 1st draft of proposed revisions of the Retail Electric Competition Rules (R14-2-1601 et al.).

Our comments are in two sections. The first section includes material better addressed in narrative form. The second section includes editing to the draft.

I hope this submittal is useful to you. If you have any questions or comments, please do not hesitate to call me at (303) 575-6491.

Very truly yours,

James K. Tarpey
James K. Tarpey

**Comments of Enron Corp.
Regarding First Draft of
Proposed Revisions of the
Retail Electric Competition Rules**

Enron Corp. appreciates the opportunity to submit comments regarding the First Draft. While the comments are meant to be comprehensive, additional issues may come to our attention and we will notify you promptly.

This portion of our comments is in narrative form and addresses certain key issues requiring more detailed explanation. The other portion is attached--it is comments in editing format and, for ease of reading, are written on Staff's First Draft. The bifurcated approach was used to make it easier to follow our overall suggestions.

In a number of places (e.g., R14-2-1602, R14-2-1606C), each Affected Utility is directed to make a filing by December 31, 1997. In light of the revisions proposed by Staff, it is doubtful that those filings are adequate or appropriate. Each Affected Utility should be given 30 days to revise those filings or state such filings are not necessary.

The draft contains various provisions (e.g., R14-2-1603B3, R14-2-1603G4, R14-2-1612, R14-2-1615) requiring the ESPs to file tariffs reflecting maximum rates and terms and conditions; requiring that changes also be filed; and indicating that all initial filings and subsequent changes do not become effective until approved by the Commission.

Staff is aware of Enron's opposition to such requirements as being contrary to the concept of market rates and such arguments will not be repeated here. There still are, however, a few changes which Staff should adopt. First, these provisions should apply to residential services only; this is the primary focus of Staff's concerns. Second, any filing by an ESP should be

deemed approved in 15 days if no action is taken in that time period by the Commission. Market offerings should not be unnecessarily delayed by regulation.

Enron applauds the Staff for addressing aggregation. However, the 20% limitation for a two-year period is too low. Instead, the 20% limit should apply to calendar year 1999. The limit should be raised to 40% for calendar year 2000.

With respect to the reduction addressed in R14-2-1604D, Enron appreciates the Staff's preference that all customers benefit during the transition period. While this may seem beneficial at first, it can in fact have anticompetitive consequences. At a minimum, any such reduction should be reflected in the distribution portion of the rates.

R14-2-1604H provides that an Affected Utility may engage in buy-throughs. Under Open Access, there will be no need for buy-throughs. As written, this provision is troublesome because it is permissive for the utility rather than at the option of ESPs or customers. Also, any possible anti-competitive or cross-subsidy issues need to be addressed.

There is confusion regarding MRSP being a competitive service. This arises, for example, in R14-2-1605. It should be listed as a competitive service even if meters can only be provided by the Affected Utility or an ESP.

R14-2-1606 addresses services to be made available by Affected Utilities. Enron Corp. believes that certain changes are necessary in the section.

Subsection F provides that power purchased for standard offer service shall be put out to bid. This requirement should be required for any competitive service included in standard offer service.

Further, standard offer service itself should be put out to bid so ESPs can submit

proposals for standard offer service. This is much better than assuming that the Affected Utility will always be the standard offer provider. At the very least, the ACC should make it clear that it will revisit this issue prior to January 1, 2001.

Another issue relates to billing for the service. While standard offer service is "bundled," the Affected Utility should be required to bill for standard offer service on an unbundled basis. This distinction needs to be made clear (Enron's suggestions are set forth in subsection C). If R14-2-1613M is meant to clarify this matter, a cross-reference may be appropriate.

R14-2-1607 addresses stranded cost recovery. Enron supports the draft's emphasis on mitigation. What needs to be clarified is the entity responsible for mitigation. Stranded costs are primarily generation-related costs and supply services will no longer be provided by the distribution side of the utility. As a result, the distribution affiliate should not be taking steps to reduce stranded costs if these steps favor the generation business and are anti-competitive. The burden is on the generation affiliate to mitigate its stranded costs. To address this concern, R14-2-1607 needs to be changed. A possible solution is to define Affected Utility as the distribution side of the utility; use a different term for the competitive side of the business; and use the latter term when discussing mitigation.

Reference is made in subsection F to the CTC being assessed only to customers buying in the competitive market. The implicit assumption is that those not buying in the competitive market are paying stranded costs as part of the tariff rates. However, this is not clear in the draft.

The same confusion arises in R14-2-1608 and who will be responsible for the SBC.

R14-2-1616 addresses separation of monopoly and competitive services. The intent seems to be that: (1) generation assets will be divested or transferred to an affiliate; (2) other

competitive assets will be divested or transferred to an affiliate; and (3) the Affected Utility will only provide monopoly services.

Enron submits that Staff's wording for subsection A is confusing and should be broken into two separate thoughts or subsections.

As a related matter, Staff needs to address what amounts will be available as credits for customers entitled to competitive services on January 1, 1999. Since the asset transfers probably will be later in time, customers need to understand in full the pricing options available to them and what their responsibility will be during 1999 and 2000 for stranded costs.

R14-2-1617 addresses affiliate transaction rules. Enron supports Staff's significant step forward in addressing a very significant area. The following are several suggestions Enron believes are important to bolster Staff's proposal.

Under subsection A2, examples of shared support which are acceptable as well as not acceptable should be set forth. It would be better to clarify this in advance.

Under subsection A, a specific prohibition on joint purchases should be added as follows: "Affected Utilities are prohibited from purchasing goods and services jointly with their affiliates." Affected Utilities will be completely separate from their affiliates, and each must stand independent of the other. The potential abuses and monitoring difficulties associated with allowing these practices far outweigh any benefits which the Affected Utilities will allege.

Compliance Plans should be filed by September 30 or sooner. The Staff needs to allow time for review and hearing as well as input from the public. As for annual filings of audits, the draft needs to reflect that these audit reports will be filed and open for review by the public.

With respect to subsection D4, staff needs to be explicit regarding the information to be

recorded and the documents to be retained. Otherwise, the after-the-fact review by Staff will be illusory.

Finally, the draft is silent as to interaction between the Affected Utility in its distribution function and the Affected Utility in its merchant function for standard offer service. The draft should clarify that those engaged in the merchant function of standard offer provider shall be considered as an "affiliate" for purposes of R14-2-1617.

R14-2-1601 Definitions

1. "Affected Utilities" means the following public service corporations providing electric service: Tucson Electric Power Company, Arizona Public Service Company, Citizens Utilities Company, Arizona Electric Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.
2. "Aggregator" means an entity that combines electric customers into a purchasing group.
- 2.3. "Bundled Service" means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
- 3.4. "Buy-through" refers to a purchase of electricity by an Affected Utility at wholesale for a particular retail consumer or aggregate of consumers or at the direction of a particular retail consumer or aggregate of consumers.
5. "Competition Transition Charge" (CTC) is a means of recovering Stranded Costs from the customers of competitive services.
6. "Control Area Operator" is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Interconnection.
7. "Current Transformer" (CT) is an electrical device used to provide a measurement of energy consumption for metering purposes.
8. "Delinquent Accounts" means customer accounts with outstanding payment obligations.
9. "Distribution Primary Voltage" is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
- 4-10. "Distribution Service" means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes meters and meter reading.

11. "Electronic Data Interchange" (EDI) is a ~~computer program~~ of national standards that establishes a specific format for electronically transmitted metering data.

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5-12 "Electric Service Provider" means a company supplying, marketing, or brokering at retail any of the services described in R14-2-1605 of R14-2-1606.

6. ~~"Eligible Demand" means the total consumer kilowatts of demand which an Affected Utility must make available to competitive generation under the terms of this Article or the consumer kilowatts of demand provided competitively in an Affected Utility's distribution territory, whichever is greater.~~

13. "ESP Service Agreement" means a contract between an ESP and an UDC to deliver power to retail end users.

14. "Generation" means the production of electric power or contract rights to wholesale electric power.

15. "Installed Adequate Reserve" means the difference between the Electric Service Providers' expected annual peak capability and its expected annual peak demand as expressed as a percentage of the annual peak demand.

16. "Load-serving Entity" means an ESP or UDC, excluding a meter service or meter reading provider.

17. "Load Profiling" is a process of estimating customers' hourly energy consumption based on measurements of similar customers.

18. "Meter Reading Service Provider" (MRSP) means an entity that reads meters, performs validation, editing, and estimation on raw meter data to create validated meter data; translates validated data to an approved format; posts this data to a Server for retrieval by billing agents; manages the Server; exchanges data with market participants; and stores meter data for problem resolution.

19. "Meter Reading Service" means all functions related to the collection and storage of consumption data.

20. "Metering Service" means all functions related to measuring electricity consumption.

22. "OASIS" is Open Access Same-Time Information System, which is an electronic bulletin board where transmission related information is posted

term is not used later and s/b deleted; concept is troublesome and should not be used in any event

Need definition of "Meter Service Provider"

for all interested parties to access via the Internet.

23. "Operating Reserve" means the generation capability above firm system demand used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection.

24. "Potential Transformer" (PT) is an electrical device used to step down primary voltages to ~~120 volts~~ for metering purposes (e.g., 115 or 120 volts).

25. "Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator, ISA or ISO.

26. "Self-Aggregation" is the action of a retail customer that combines its own-metered loads into a single purchase block.

27. "Standard Offer" means Bundled Service offered to all consumers in a designated area at regulated rates.

28. "Stranded Cost" ~~means~~ includes:

- a. the verifiable net difference between:
- a i The value of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to the adoption of this Article, under traditional regulation of Affected Utilities; and
 - b ii The market value of those assets and obligations directly attributable to the introduction of competition under this Article.
- b. reasonable costs necessarily incurred by an Affected Utility to effectuate divestiture of its generation assets; and
- c. reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided.

29. "System Benefits" means Commission-approved utility low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs.

30. "Transmission Primary Voltage" is voltage above 25 kV.

31. "Unbundled Service" means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, and ancillary services. Unbundled Service

levels more appropriate

book

may be sold to consumers or to other Electric Service Providers.

32. "Utility Distribution Company" (UDC) means the regulated electric utility entity that constructs and maintains the distribution wires for the delivery of power from the generation market to the end user.
33. "Utility Industry Group" (UIG) refers to a utility industry association that establishes national standards for data formats.
34. "Universal Node Identifier" is a unique, permanent, identification number assigned to each service delivery point.

R14-2-1602. Filing of Tariff by Affected Utilities.

- A. Each Affected Utility shall file tariffs consistent with this Article by December 31, 1997.

R14-2-1603. Certificates of Convenience and Necessity.

- A. Any Electric Service Provider intending to supply services described in R14-2-1605 or R-14-2-1606, other than services subject to federal jurisdiction, shall obtain a Certificate of Convenience and Necessity from the Commission pursuant to this Article, however; a Certificate is not required to offer information services or billing and collection services, **or self aggregation.** ~~An Affected Utility does not need to apply for a Certificate of Convenience and Necessity for any service provided as of the date of adoption of this Article within its distribution service territory.~~
- B. Any company desiring such a Certificate of Convenience and Necessity shall file with the Docket Control Center the required number of copies of an application. Such Certificates shall be restricted to geographical areas served by the Affected Utilities as of the date this Article is adopted and to service areas added under the provisions of R14-2-1611 (B). In support of the request for a Certificate of Convenience and Necessity, the following information must be provided:
 1. A description of the electric services which the applicant intends to offer;
 2. The proper name and correct address of the applicant, and
 - a. The full name of the owner if a sole proprietorship,
 - b. The full name of each partner if a partnership,
 - c. A full list of officers and directors if a corporation, or
 - d. A full list of the members if a limited liability corporation;
 3. A tariff for each service to be provided that states the maximum rate and terms and conditions that will apply to the provision of the service;

- 4. A description of the applicant's technical ability to obtain and deliver electricity and provide any other proposed services;
- 5. Documentation of the financial capability of the applicant to provide the proposed services, including the most recent income statement and balance sheet, the most recent projected income statement, and other pertinent financial information. Audited information shall be provided if available;
- 6. A description of the form of ownership (e.g., partnership, corporation);
- 7. Such other information as the Commission or the Staff may request.

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C. The Applicant shall report in a timely manner during the application process any change(s) in the information initially reported to the Commission in the application for a Certificate of Convenience and Necessity.

C.D. At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected Utilities in whose service territories it wishes to offer service of the application by serving a complete copy of the application on the Affected Utilities. Each applicant shall provide written notice to the Commission that it has provided notification to each of the respective Affected Utilities at the time of application.

E. The Commission after reviewing the application, may provide approval of the Certificate of Convenience and Necessity for up to 12 months if the applicant has limited or no experience in providing the retail electric service that is being requested. An applicant receiving such interim approval shall have the responsibility to apply for appropriate extensions.

D.F. The Commission may deny certification to any applicant who:

- 1. Does not provide the information required by this Article;
- 2. ~~Does not possess~~ *adequate* technical or financial capabilities to provide the proposed services;
- 3. Does not have service acquisition agreements with a utility distribution company and scheduling coordinator, if the applicant is not its own scheduling coordinator.
- 3.4. Fails to provide a performance bond, if required.
- 5. Fails to demonstrate that its certification will serve in the public

Fails to demonstrate that it

Need definition

interest.

E. G. Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:

1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements relevant to the provision of electric service and relevant to resource planning;
2. The Electric Service Provider shall maintain accounts and records as required by the Commission;
3. The Electric Service Provider shall file with the Director of the Utilities Division all financial and other reports that the Commission may require and in a form and at such times as the Commission may designate;
4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any service standards that the Commission shall require;
5. The Electric Service Provider shall cooperate with any Commission investigation of customer complaints;
6. The Electric Service Provider shall obtain all necessary permits and licenses;
8. Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.

E.H. In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the applicant may collect from its customers, or order that such advances or deposits be held in escrow or trust.

R14-2-1604. Competitive Phases.

- A. ~~Each Affected Utility shall make available at least 20% of its 1995 system retail peak demand for competitive generation supply to all customer classes (including residential and small commercial consumers) not later than January 1, 1999. If data permit, coincident annual peak demand shall be used; otherwise noncoincident peak data may be used.~~
1. ~~No more than 1/2 of the Eligible Demand may be procured by consumers, each of whose total competitive contract demand is greater than 3 MW.~~

~~2. At least 15% of the Eligible Demand shall be reserved for residential consumers.~~

~~3. Aggregation of loads of multiple consumers shall be permitted.~~

shall be entitled to obtain

A. All Affected Utility customers with peak demand load of 1MW or greater ~~will be eligible for~~ competitive electric services no later than January 1, 1999. *are*

~~B. Each Affected Utility shall make available at least 50% of its 1995 system retail peak demand for competitive generation supply to all customer classes (including residential and small commercial consumers) not later than January 1, 2001. If data permit, coincident peak annual demand shall be used; otherwise noncoincident peak data may be used.~~

~~1. No more than 1/2 of the Eligible Demand may be procured by consumers, each of whose total competitive contract demand is greater than 3 MW.~~

~~2. At least 30% of the Eligible Demand shall be reserved for residential consumers.~~

~~3. Aggregation of loads of multiple consumers shall be permitted.~~

B. ~~Groups of~~ Affected Utility customers with individual peak load demands of 40 kW or greater aggregated into a combined load of 1 MW or greater will be eligible for competitive electric services no later than January 1, 1999. If peak load data are not available, the 40 kW criterion ~~can be determined to be met if the customer's usage exceeded 16,500 kWh in any month within the last twelve consecutive months. From January 1, 1999, through December 31, 2000, aggregation of new competitive customers will be allowed until such time as 20% of the Affected Utility's 1995 system peak demand is served by competitors. At that point all additional aggregated customers must wait until January 1, 2001, to obtain competitive service.~~ *are*

~~C. Prior to 2001, no single consumer shall receive more than 20% of the Eligible Demand in a given year in an Affected Utility's service territory.~~

C. Each Affected Utility shall offer a residential phase-in program with the following components:

1. A minimum of 1/2 of 1% of residential customers will have access to competitive electric services on January 1, 1999. The number of customers eligible in the residential phase-in program shall increase by an additional 1/2 of 1% every quarter until January 1, 2001.

2. Access to the residential phase-in program will be on a first-come, first-served basis. The Affected Utility shall create and maintain a waiting list to manage the residential phase-in program.

- shall provided,*
3. Load profiling ~~may~~ ^{shall} be used; however, residential customers participating in the residential phase-in program may choose other metering options offered by their electric service provider consistent with the Commission's rules on metering.
 4. Each Affected Utility shall file a Residential Phase-In Program Proposal to the Commission for approval by Director, Utilities Division by September 15, 1998. As a minimum, the Residential Phase-In Program Proposal will include specifics concerning the Affected Utility's proposed:
 - a. Process for customer notification of Residential Phase-In Program;
 - b. Selection and tracking mechanism for customers based on first-come, first-served method;
 - c. Customer notification process and other information services to be offered; and,
 - d. Load profiling methodology and actual load profiles, if available.
 5. Each Affected Utility shall file quarterly Residential Phase-In Program reports within 45 days of the end of each quarter. As a minimum, these quarterly reports shall include:
 - a. The number of customers and the load currently enrolled in Residential Phase-In Program by energy service provider;
 - b. The number of customers currently on the waiting list;
 - c. A description of all customer education programs and other information services including a discussion of the effectiveness of the programs; and,
 - d. An overview of comments and survey results from participating residential customers.

*Need A deadline;
also, any reduction
in Distribution
Charge*

D. Each Affected Utility shall file a report detailing possible mechanisms to provide benefits, such as rate reductions of 3% - 5%, to all customers determined not to be eligible for competitive electric services directly or through aggregation in a manner consistent with R14-2-1604 (B).

~~D. Each Affected Utility shall make available all of its retail demand for competitive generation supply not later than January 1, 2003.~~

E. All customers shall be entitled to obtain competitive electric services no later than January 1, 2001.

~~E. By the date indicated in R14-2-1602, Affected Utilities shall propose for Commission review and approval how customers will be selected for participation~~

~~in the competitive market prior to 2003.~~

~~1. Possible selection methods are first come, first served; random selection via a lottery among volunteering consumers; or designation of geographic areas.~~

~~2. The method for selecting customers to participate in the competitive market must fairly allow participation by a wide variety of customers of all sizes of loads.~~

F. ~~3.~~ All customers who produce or purchase at least 10% of their annual electricity consumption from photovoltaic or solar thermal resources installed in Arizona after January 1, 1997 shall be selected for participation in the competitive market if those customers apply for participation in the competitive market. Such participants count toward the minimum requirements in R14-2-1604 (A) and R14-2-1604 (B).

~~4. The Commission Staff shall commence a series of workshops on selection issues within 45 days of the adoption of this Article and Staff shall submit a report to the Commission discussing the activities and recommendations of participants in the workshops. The report shall be due not later than 90 days prior to the date indicated in R14-2-1602.~~

F.G. Retail consumers served under existing contracts are eligible to participate in the competitive market prior to expiration of the existing contract only if the Affected Utility and the consumer agree that the retail consumer may participate in the competitive market.

G.H. An Affected Utility may engage in buy-throughs with individual or aggregated consumers. Any contract for a buy-through effective prior to the date indicated in R14-2-1604(A) must be approved by the Commission.

H.I. Schedule Modifications for Cooperatives

1. An electric cooperative may request that the Commission modify the schedule described in R14-2-1604(A) through R14-2-1604(D) (E) so as to preserve the tax exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.

2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.

3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

R14-2-1605. Competitive Services.

A properly certificated Electric Service Provider may offer any of the following services under bilateral or multilateral contracts with retail consumers:

- A. Generation of electricity from generators at any location whether owned by the Electric Service Provider or purchased from another generator or wholesaler of electric generation.
- B. Any service described in R14-2-1606, except Distribution Service and except services required by the Federal Energy Regulatory Commission to be monopoly services. Billing and collection services, information services, and self-aggregation services do not require a Certificate of Convenience and Necessity.

R14-2-1606. Services Required To Be Made Available by Affected Utilities.

- A. Until the Commission determines that competition has been substantially implemented for a particular class of consumers (residential, commercial, industrial) so that all consumers in that class have an opportunity to participate in the competitive market, ~~and until all Stranded Costs pertaining to that class of customers have been recovered~~, each Affected Utility shall make available to all consumers in that class in its service area, as defined on the date indicated in R14-2-1602, Standard Offer bundled generation, transmission, ancillary, distribution, and other necessary services at regulated rates.

1. An Affected Utility may request that the Commission determine that competition has been substantially implemented to allow discontinuation of Standard Offer service and shall provide sufficient documentation to support its request.
2. The Commission may, on its own motion, investigate whether competition has been substantially implemented and whether Standard Offer service may be discontinued.

~~B. After January 1, 2001 Standard Offer service shall be provided by utility distribution companies.~~

B.C. Standard Offer Tariffs

1. By the date indicated in R14-2-1602, each Affected Utility ~~may~~ ^{shall} file proposed tariffs to provide Standard Offer Bundled Service and such rates shall not become effective until approved by the Commission. ~~If no such tariffs are filed, rates and services in existence as of the date in R14-2-1602 shall constitute the Standard Offer.~~
2. Affected Utilities may file proposed revisions to such rates. It is the expectation of the Commission that the rates for Standard Offer service

Such rates shall reflect the cost of providing each of the services set forth in Subsection D.

will not increase, relative to existing rates, as a result of allowing competition. Any rate increase proposed by an Affected Utility for Standard Offer service must be fully justified through a rate case proceeding.

- ~~3. Such rates shall reflect the costs of providing the service.~~
4. Consumers receiving Standard Offer service are eligible for potential future rate reductions authorized by the Commission, such as reductions authorized in Decision No. 59601.

C.D. By the date indicated in R14-2-1602, each Affected Utility shall file Unbundled Service tariffs to provide the services listed below to all eligible purchasers on a nondiscriminatory basis:

1. Distribution Service;
2. Metering and meter reading services;
3. Billing and collection services;
4. Open access transmission service (as approved by the Federal Energy Regulatory Commission, if applicable);
5. Ancillary services in accordance with Federal Energy Regulatory Commission Order 888 (III FERC Stats. & Regs. 31,036, 1996) incorporated herein by reference;
7. Information services such as provision of customer information to other Electric Service Providers;
8. Other ancillary services necessary for safe and reliable system operation.

D.E. To manage its risks, an Affected Utility may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.

F. After January 1, 2001, power purchased by a Utility Distribution Company to serve standard offer customers shall be acquired through competitive bid. Any resulting long-term contract shall contain provisions allowing the UDC to ratchet down its power purchases. If the cost of such a ratchet provision is unreasonable, the affected UDC may file for an exemption from this rule.

F.G. Customer Data

1. Upon authorization by the customer, an Electric Service Provider shall release in a timely and useful manner that customer's demand and energy

And shall be subject to approval by the Commission.

data for the most recent 12 month period to a customer-specified Electric Service Provider.

2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.

G.H. Rates for Unbundled Services

1. The Commission shall review and approve rates for services listed in R14-2-1606(C) and requirements listed in R14-2-1606(D), where it has jurisdiction, before such services can be offered.
2. Such rates shall reflect the costs of providing the services.
3. Such rates may be downwardly flexible if approved by the Commission.

H.I. Electric Service Providers offering services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided to this Commission.

I.J. Within 90 days of the adoption of this Article, the Commission Staff shall commence a series of workshops to explore issues in the provision of Unbundled Service and Standard Offer service.

1. Parties to be invited to participate in the workshops shall include utilities, consumers, organizations promoting energy efficiency, and other Electric Service Providers.
2. Among the issues to be reviewed in the workshops are: metering requirements; metering protocols; designation of appropriate test years; the nature of adjustments to test year data; de-averaging of rates; service characteristics such as voltage levels; revenue uncertainty; line extension policies; and the need for performance bonds.
3. A report shall be submitted to the Commission by the Staff on the activities and recommendations of the participants in the workshops not later than 60 days prior to the date indicated in R14-2-1602. The Commission shall consider any recommendations regarding Unbundled Service and Standard Offer service tariffs.

R14-2-1607. Recovery of Stranded Cost of Affected Utilities.

- A. The Affected Utilities shall take every ~~feasible~~ **reasonable**, cost-effective measure to mitigate or offset Stranded Cost by means such as expanding wholesale or retail markets, or offering a wider scope of services for profit, among others.
- B. The Commission shall allow a **reasonable opportunity** for recovery of unmitigated Stranded Cost by Affected Utilities.
- ~~C. A working group to develop recommendations for the analysis and recovery of Stranded Cost shall be established.~~
- ~~1. The working group shall commence activities within 15 days of the date of adoption of this Article.~~
 - ~~2. Members of the working group shall include representatives of Staff, the Residential Utility Consumer Office, consumers, utilities, and other Electric Service Providers. In addition, the Executive and Legislative Branches shall be invited to send representatives to be members of the working group.~~
 - ~~3. The working group shall be coordinated by the Director of the Utilities Division of the Commission or by his or her designee.~~
- ~~D. In developing its recommendations, the working group shall consider at least the following factors:~~
- ~~1. The impact of Stranded Cost recovery on the effectiveness of competition;~~
 - ~~2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;~~
 - ~~3. The impact, if any, on the Affected Utility's ability to meet debt obligations;~~
 - ~~4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;~~
 - ~~5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;~~
 - ~~6. The degree to which some assets have values in excess of their book values;~~
 - ~~7. Appropriate treatment of negative Stranded Cost;~~
 - ~~8. The time period over which such Stranded Cost charges may be recovered.~~
~~The Commission shall limit the application of such charges to a specified time period;~~
 - ~~9. The ease of determining the amount of Stranded Cost;~~
 - ~~10. The applicability of Stranded Cost to interruptible customers;~~
 - ~~11. The amount of electricity generated by renewable generating resources owned by the Affected Utility.~~
- ~~E. The working group shall submit to the Commission a report on the activities and recommendations of the working group no later than 90 days prior to the date indicated in R14-2-1602.~~
- ~~F. The Commission shall consider the recommendations and decide what actions, if any, to take based on the recommendations.~~

Need A deadline

G.C. The Affected Utilities shall file estimates of unmitigated Stranded Cost. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.

H.D. An Affected Utility shall request Commission approval, **on or before August 24, 1998**, of distribution charges or other means of recovering unmitigated Stranded Cost from customers who reduce or terminate service from the Affected Utility as a direct result of competition governed by this Article, or who obtain lower rates from the Affected Utility as a direct result of the competition governed by this Article.

I.E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the Affected Utilities, Staff, and intervenors, determine for each Affected Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:

1. The impact of Stranded Cost recovery on the effectiveness of competition;
2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;
3. The impact, if any, on the Affected Utility's ability to meet debt obligations;
4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;
6. The degree to which some assets have values in excess of their book values;
7. Appropriate treatment of negative Stranded Cost;
8. The-time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;
9. The ease of determining the amount of Stranded Cost;
10. The applicability of Stranded Cost to interruptible customers;

Add:

11. whether the recovery of stranded cost gives the Affected Utility or its generation affiliated a competitive advantage and whether corrective steps need to be taken

11. The amount of electricity generated by renewable generating resources owned by the Affected Utility.

J.F. **A Competitive Transition Charge may be assessed only** ~~Stranded Cost may only be recovered~~ from customer purchases made in the competitive market using the provisions of this Article. Any reduction in electricity purchases from an Affected Utility resulting from self-generation, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer.

Combine with Subject K.G.
The Commission may order an Affected Utility to file estimates of Stranded Cost and mechanisms to recover or, if negative, to refund Stranded Cost.

L.H. The Commission may order regular revisions to estimates of the magnitude of Stranded Cost.

R14-2-1608. System Benefits Charges.

- A. By the date indicated in R14-2-1602, each Affected Utility shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's service area who participate in the competitive market. ~~In addition, the Affected Utility may file for a change in the System Benefits charge at any time.~~ **Affected Utilities shall file for review of the Systems Benefits Charge at least every three years.** The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' ~~present~~ Commission- approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs **in effect from time to time.**
- B. Each Affected Utility shall provide adequate supporting documentation for its proposed rates for System Benefits.
- C. An Affected Utility shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.
- D. Methods of calculating System Benefits charges shall be included in the workshops described in R14-2-1606 (I).

R14-2-1609. Solar Portfolio Standard.

A. Starting on January 1, 1999, any Electric Service Provider selling electricity under the provisions of this Article must derive at least 1/2 of 1% of the total retail energy sold competitively from new solar resources, whether that solar energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources are those installed on or after January 1, 1997.

B. Solar portfolio standard after December 31, 2001:

1. Starting on January 1, 2002, any Electric Service Provider selling electricity under the provisions of this Article must derive at least 1% of the total retail energy sold competitively from new solar resources, whether that solar energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources are those installed on or after January 1, 1997.

2. **The Solar Portfolio Standard requirement shall be in effect for 10 years, from January 1, 1999 through December 31, 2008.** The Commission may ~~change~~ **increase** the solar portfolio percentage applicable after December 31, ~~2004-2005~~, taking into account, among other factors, the costs of producing solar electricity and the costs of fossil fuel for conventional power plants. **Prior to any future possible increase in the solar portfolio standard percentage, the Commission shall establish a kWh cost impact cap to ensure that costs must decline in order for solar installation rates to increase.**

C. ~~Any Electric Service Provider certificated under the provisions of this Article shall be able to credit 2 times the electric energy it generated, or caused to be generated under contract, before January 1, 1999 using photovoltaics or solar thermal resources installed on or after January 1, 1997 in Arizona to the electric energy requirements of R14-2-1600(A) or R14-2-1600(B).~~ **Electric Service Providers shall be eligible for a number of extra credit multipliers that may be used to meet the Solar Portfolio Standard requirements:**

1. **Early Installation Extra Credit Multiplier:** For new solar electric systems installed and operating prior to December 31, 2003, electric service providers would qualify for multiple extra credits for kWh produced for five years following operational start-up of the solar electric system. The five-year extra credit would vary depending upon the year in which the system started up, as follows:

<u>YEAR</u>	<u>EXTRA CREDIT MULTIPLIER</u>
1997	.5
1998	.5

1999	.5
2000	.4
2001	.3
2002	.2
2003	.1

The Early Installation Extra Credit Multiplier would end in 2003.

2. **Solar Economic Development Extra Credit Multipliers:** There are two equal parts to this multiplier, an in-state installation credit and an in-state content multiplier.
 - a. **In-State Power Plant Installation Extra Credit Multiplier:** Solar electric power plants installed in Arizona shall receive a .5 extra credit multiplier.
 - b. **In-State Manufacturing and Installation Content Extra Credit Multiplier:** Solar electric power plants shall receive up to a .5 extra credit multiplier related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is $.8 \times .5$).
3. **Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier:** Solar electric generators that meet any of the following conditions shall receive a .5 extra credit multiplier:
 - a. Solar electric generators installed at or on the customer premises in Arizona. Eligible customer premises locations will include both grid-connected and remote, non-grid-connected locations. In order for Electric Service Providers to claim an extra credit multiplier, the Electric Service Provider must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.
 - b. Solar electric generators located in Arizona that are included in any Electric Service Provider's green pricing program.
 - c. Solar electric generators located in Arizona that are included in any Electric Service Provider's net metering or net billing program.
 - d. Solar electric generators located in Arizona that are included in any

Electric Service Provider's solar leasing program.

4. Any solar electric generator that meets more than one of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.
5. All green pricing, net metering, net billing, and solar leasing programs must have been reviewed and approved by the Commission Staff in order for the Electric Service Provider to accrue extra credit multipliers from this subsection.
6. All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if an ESP qualifies for a 2.0 extra credit multiplier and it produces 1 solar kWh, the ESP would get credit for 3 solar kWh (1 produced plus 2 extra credit).

- D. Electric Service Providers selling electricity under the provisions of this Article shall provide reports on sales and solar power as required in this Article, clearly demonstrating the output of solar resources, the installation date of solar resources, and the transmission of energy from those solar resources to Arizona consumers. The Commission may conduct necessary monitoring to ensure the accuracy of these data.
- E. If an Electric Service Provider selling electricity under the provisions of this Article fails to meet the requirement in R14-2-1609(A) or R14-2-1609(B) in any year, the Commission ~~may~~ shall impose a penalty requirement on that Electric Service Provider **that the Electric Service Provider establish a Solar Electric Fund** equal up to 30 cents per kWh for deficiencies in the provision of solar ~~electricity energy~~. **This Solar Electric Fund will be utilized to purchase solar electric generators or solar electricity in the following calendar year for the use by public entities in Arizona such as schools, cities, counties, or state agencies.** Title to any equipment purchased by the Solar Electric Fund will be transferred to the public entity. In addition, if the provision of solar energy is consistently deficient, the Commission may void an Electric Service Provider's contracts negotiated under this Article.
- F. Photovoltaic or solar thermal ~~electric~~ resources that are located on the consumer's premises shall count toward the solar portfolio standard applicable to

What process, timetables, standards will apply?

the current Electric Service Provider serving that consumer.

G. The solar portfolio standard described in this section is in addition to renewable resource goals for Affected Utilities established in Decision No. 58643.

H. Any Electric Service Provider or independent solar electric generator that produces or purchases any solar kWh in excess of its annual portfolio requirements may save or bank those excess solar kWh for use or sale in future years. Any eligible solar kWh produced subject to this rule may be sold or traded to any Electric Service Provider that is subject to this Rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Electric Service Provider that is using the purchased kWh to meet its portfolio requirements

I. Solar Portfolio Standard requirements shall be calculated on an annual basis, based upon competitive electricity sold during the calendar year.

J. An Electric Service Provider shall be entitled to receive a partial credit against the Solar Portfolio requirement if the ESP owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona in a calendar year times 2,190 hours (approximating a 25% capacity factor). The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:

1999	Maximum of 50 % of the portfolio requirement
2000	Maximum of 50 % of the portfolio requirement
2001	Maximum of 25 % of the portfolio requirement
2002	Maximum of 25 % of the portfolio requirement
2003 and on	Maximum of 20 % of the portfolio requirement

No extra credit multipliers will be allowed for this credit. In order to avoid double-counting of the same equipment, solar electric generators that are sold to other Electric Service Providers to meet their Arizona solar portfolio requirements will not be allowable for credits under this section for the manufacturer/ESP to meet its portfolio requirements.

K. Any solar electric generators used for the production of solar electricity to meet this portfolio requirement must have been certified to have met the appropriate industry safety, durability, reliability, and performance standards. The Commission Staff will develop additional standards, as

*how?
by whom?*

will

needed.

R14-2-1610. ~~Spot Markets and Independent System Operation~~ Transmission and Distribution Access.

~~A. The Commission shall conduct an inquiry into spot market development and independent system operation for the transmission system.~~

A. The Affected Utilities shall provide non-discriminatory open access to transmission and distribution facilities to serve all customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's standard offer or in the competitive market. Rights to use the transmission transfer capability shall be allocated and assigned to the retail customer load on a pro rata basis.

~~B. The Commission may support development of a spot market or independent system operator(s) for the transmission system.~~

B. The Commission supports the development of an Independent System Operator (ISO) or, absent an ISO, an Independent Scheduling Administrator.

~~C. The Commission may work with other entities to help establish spot markets and independent system operators.~~

C. The Commission believes that an Independent Scheduling Administrator (ISA) is necessary in order to provide non-discriminatory retail access and to facilitate a robust and efficient electricity market. Therefore, the Affected Utilities shall file with FERC for approval of an ISA having the following characteristics:

1. The ISA shall calculate the Available Transmission Capacity for Arizona transmission facilities that belong to the Affected Utilities or other ISA participants, and shall develop and operate an overarching statewide OASIS.
2. The ISA shall implement and oversee the non-discriminatory application of protocols to ensure statewide consistency for transmission access. These protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, and available transfer capabilities.
3. The ISA shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory

treatment in the reservation, scheduling, use and curtailment of transmission services.

4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other ISA participants shall be made to, or through, the ISA using a single, standardized procedure.
- D. The Affected Utilities shall file a proposed ISA implementation plan with the Commission by September 1, 1998. The implementation plan shall address ISA governance, incorporation, financing and staffing; the acquisition of physical facilities and staff by the ISA; the schedule for the phased development of ISA functionality; contingency plans to ensure that critical functionality is in place by January 1, 1999; and any other significant issues related to the timely and successful implementation of the ISA.
- E. Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System Operator (ISO), to which the ISA should transfer its functions as the ISO becomes able to carry out those functions.
- F. It is the intent of the Commission that the prudently-incurred costs of the Affected Utilities in the establishment and operation of the ISA, and subsequently the ISO, should be recovered from customers using the transmission system, including the Affected Utilities' wholesale customers, Standard Offer retail customers, and competitive retail customers, through FERC-regulated prices which shall be set on a non-discriminatory basis. Proposed rates for the recovery of such costs shall be filed with the FERC and the Commission.
- G. The Commission supports the use of "Scheduling Coordinators" to provide aggregation of customers' schedules to the ISA and the respective Control Area Operators simultaneously until the implementation of a regional ISO, at which time the schedules will be submitted to the ISO. The primary duties of Scheduling Coordinators are to:
1. Forecast their customers' load requirements
 2. Submit balanced schedules (i.e., schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission losses) and NERC/WSCC tags
 3. Arrange for the acquisition of the necessary transmission and ancillary services

4. Respond to contingencies and curtailments as directed by the Control Area Operators, ISA or ISO
 5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, ISA or ISO.
- H. ~~The Commission may support the development of a regional spot market to ensure economic and operational efficiency for all customers.~~
- I. The Commission shall determine which generation units are must-run units for distribution reliability and mitigation of market power, and will regulate the price of power from these units. The terms of the must-run contracts will be finalized prior to the divestiture of the must-run units.

R14-2-1611. In-State Reciprocity.

- A. The service territories of Arizona electric utilities which are not Affected Utilities shall not be open to competition under the provisions of this Article, nor shall Arizona electric utilities which are not Affected Utilities be able to compete for sales in the service territories of the Affected Utilities.
- B. An Arizona electric utility, subject to the jurisdiction of the Commission, which is not an Affected Utility may voluntarily participate under the provisions of this Article if it makes its service territory available for competing sellers, if it agrees to all of the requirements of this Article, and if it obtains an appropriate Certificate of Convenience and Necessity.
- C. An Arizona electric utility, not subject to the jurisdiction of the Commission, may submit a statement to the Commission that it voluntarily opens its service territory for competing sellers in a manner similar to the provisions of this Article. Such statement shall be accompanied by the electric utility's nondiscriminatory Standard Offer Tariff, electric supply tariffs, Unbundled Services rates, Stranded Cost charges, System Benefits charges, Distribution Services charges and any other applicable tariffs and policies for services the electric utility offers, for which these rules otherwise require compliance by Affected Utilities or Electric Service Providers. Such filings shall serve as authorization for such electric utility to utilize the Commission's Rules of Practice and Procedure and other applicable rules concerning any complaint that an Affected Utility or Electric Service Provider is violating any provision of this Article or is otherwise discriminating against the filing electric utility or failing to provide just and reasonable rates in tariffs filed under this Article.
- D. If an electric utility is an Arizona political subdivision or municipal corporation, then the existing service territory of such electric utility shall be deemed open to

conduct an inquiry into the adequacy of regional spot markets to ensure the efficient trading of electricity.

competition if the political subdivision or municipality has entered into an intergovernmental agreement with the Commission that establishes nondiscriminatory terms and conditions for Distribution Services and other Unbundled Services, provides a procedure for complaints arising therefrom, and provides for reciprocity with Affected Utilities. The Commission shall conduct a hearing to consider any such intergovernmental agreement.

R14-2-1612. Rates.

- A. Market determined rates for competitively provided services as defined in R14-2-1605 shall be deemed to be just and reasonable.
- B. Each Electric Service Provider selling services under this Article shall have on file with the Commission tariffs describing such services and maximum rates for those services, but the services may not be provided until the Commission has approved the tariffs.
- C. Prior to the date indicated in R14-2-1604 ~~(D)~~, **(E)** competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is 1 year or more and for service of 1 MW or more must be filed with the Director of the Utilities Division as soon as practicable. If a contract does not comply with the provisions of this Article it shall not become effective without a Commission order.
- J. Contracts entered into on or after the date indicated in R14-2-1604 ~~(D)~~ **(E)** which comply with approved tariffs need not be filed with the Director of the Utilities Division. If a contract does not comply with the provisions of this Article it shall not become effective without a Commission order.
- K. An Electric Service Provider holding a Certificate pursuant to this Article may price its competitive services, as defined in R14-2-1605, at or below the maximum rates specified in its filed tariff, provided that the price is not less than the marginal cost of providing the service.
- L. Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may be filed. Such changes become effective only upon Commission approval.

R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements.

- A. Except as indicated elsewhere in this Article, R14-2-201 through R14-2-212, inclusive are adopted in this Article by reference. However, where the term "utility" is used in R14-2-201 through R14-2-212, the term "utility" shall pertain to

Electric Service Providers providing the services described in each paragraph of R14-2-201 through R14-2-212. ~~R14-2-212 (G)(2) shall pertain only to Affected Utilities. R14-2-212 (G)(4) shall apply only to Affected Utilities.~~ R14-2-212 (H) shall pertain only to ~~Electric Service Providers who provide distribution service~~ **Utility Distribution Companies.**

- B. The following shall not apply to this Article:
1. R14-2-202 in its entirety,
 2. R14-2-212 (F)(1),
 3. R14-2-213.
- C. No consumer shall be deemed to have changed ~~suppliers~~ **providers** of any service authorized in this Article (including changes from supply by the Affected Utility to another ~~supplier provider~~ without written authorization by the consumer for service from the new ~~supplier provider~~.) If a consumer is switched (or **slammed**) to a different ("new") ~~supplier provider~~ without such valid written authorization, the new ~~supplier provider~~ shall cause service by the previous ~~supplier provider~~ to be resumed and the new ~~supplier provider~~ shall bear all costs associated with switching the consumer back to the previous ~~supplier provider~~. **A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. Providers shall submit quarterly reports to the Commission itemizing the direct complaints filed by customers who have had their electric service providers changed without their authorization. Violations of the Commission's rules concerning slamming may result in fines and penalties, including but not limited to suspension or revocation of the provider's certificate.**
- D. Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. **Providers are required to make reasonable efforts to notify customers of scheduled outages, and provide notification to the Commission for interruptions affecting a large portion of their system.**
- E. Each Electric Service Provider shall provide at least 30 days notice to all of its affected consumers if it is no longer obtaining generation, transmission, distribution, or ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.
- F. All Electric Service Providers rendering service under this Article shall submit accident reports as required in R14-2-101.

or have a performance bond for 30 days of service.

- G. An Electric Service Provider providing firm electric service governed by this Article shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur and shall work cooperatively with other companies to ensure timely restoration of service where facilities are not under the control of the Electric Service Provider.
- H. Each Electric Service Provider shall ensure that bills rendered on its behalf include ~~the its address and~~ toll free telephone numbers for billing, service, and safety inquiries. **The bill must include the address and toll free telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division, and the telephone number of the Consumer Services Section of the Arizona Corporation Commission Utilities Division.** Each Electric Service Provider shall ensure that billing and collection services rendered on its behalf comply with R14-2-1613 (A) and ~~R14-2-1613(B)~~.
- I. Additional Provisions for Metering and Meter Reading Services
1. An Electric Service Provider who provides metering or meter reading services pertaining to a particular consumer shall provide access to meter readings to other Electric Service Providers serving that same consumer.
 2. A consumer or an Electric Service Provider relying on metering information provided by another Electric Service Provider may request a meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged.
 3. Protocols for metering shall be developed subsequent to the workshops described in R14-2-1606(I).
 4. Each competitive customer shall be assigned a Universal Node Identifier for each service delivery point by the Affected Utility whose distribution system serves the customer.
 5. All competitive metered and billing data shall be translated into a consistent, statewide Electronic Data Interchange (EDI) format based on standards approved by the Utility Industry Group (UIG) that can be used by the Affected Utility and the Electric Service Provider.
 6. **Electronic Data Interchange (EDI) shall be used for all data exchange transactions ~~from the meter to the billing company.~~ This data will be transferred via the Internet using a secure sockets layer.**
 7. Minimum metering requirements for competitive customers over 20

between the
MSP and
authorized
parties.

kW, or 100,000 kWh annually, should consist of hourly consumption measurement meters or meter systems.

*usage of
8,250 kWh w/
any month
within the
last 12
consecutive
months*

8. Competitive customers with hourly loads ~~at least~~ of 20kW (or ~~400,000 kWh annually~~) or less, will be permitted to use load profiling to satisfy the requirements for hourly consumption data.
9. Meter ownership will be limited to the Affected Utility, the Electric Service Provider or their representative, or the customer, who will obtain the meter from the Affected Utility or the Electric Service Provider.
10. Control of the metering equipment will be limited to the Affected Utility and the Electric Service Provider or their representative.
11. Distribution primary voltage CT's and PT's may be owned by the Affected Utility and the Electric Service Provider or their representative.
12. Transmission primary voltage CT's and PT's may be owned by the Affected Utility only.
13. North American Electric Reliability Council recognized holidays will be used ~~for metering purposes~~ *in calculating "working days" for meter data timeliness requirements.*
14. The operating procedures approved by the Metering Committee will be used by the UDCs and the MSPs for performing work on primary metered customers.
15. The rules approved by the Metering Committee will be used by the MRSP for validating, editing, and estimating metering data.
16. The performance metering specifications and standards approved by the Metering Committee will be used by all entities performing metering.

J. Working Group on System Reliability and Safety

1. ~~If it has not already done so,~~ The Commission shall establish, by separate order, a working group to monitor and review system reliability and safety.
 - a. The working group may establish technical advisory panels to assist it.
 - c. ~~The working group shall commence activities within 15 days of the~~

~~date of adoption of this Article.~~

- e.b. Members of the working group shall include representatives of Staff, consumers, the Residential Utility Consumer Office, utilities, other Electric Service Providers and organizations promoting energy efficiency. In addition, the Executive and Legislative Branches shall be invited to send representatives to be members of the working group.
 - d.c. The working group shall be coordinated by the Director of the Utilities Division of the Commission or by his or her designee.
2. All Electric Service Providers governed by this Article shall cooperate and participate in any investigation conducted by the working group, including provision of data reasonably related to system reliability or safety.
 3. The working group shall report to the Commission on system reliability and safety regularly, and shall make recommendations to the Commission regarding improvements to reliability or safety.
- K. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.
- L. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.
- M. **Unbundled Billing Elements.**
All customer bills for competitive electric services and Standard Offer services after January 1, 1999 will list, at a minimum, the following billing cost elements:
1. **Electricity Costs**
 - a. generation
 - b. CTC
 - c. fuel or purchased power adjustor, if applicable
 2. **Delivery costs**
 - a. distribution services
 - b. transmission services
 3. **Other Costs**
 - a. metering service
 - b. meter reading service
 - c. billing and collection
 - d. System Benefits charge

R14-2-1614. Reporting Requirements.

- A. Reports covering the following items shall be submitted to the Director of the Utilities Division by Affected Utilities and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:
1. Type of services offered;
 2. kW and kWh sales to consumers, disaggregated by customer class (for example residential, commercial, industrial);
 3. Solar energy sales (kWh) and sources for grid connected solar resources; kW capacity for off-grid solar resources;
 4. Revenues from sales by customer class (for example residential, commercial, industrial);
 5. Number of retail customers disaggregated as follows: aggregators, residential, commercial under 100 kW, commercial 100 kW to 2999 kW, commercial 3000 kW or more, industrial less than 3000 kW, industrial 3000 kW or more, agricultural (if not included in commercial), and other;
 6. Retail kWh sales and revenues disaggregated by term of the contract (less than 1 year, 1 to 4 years, longer than 4 years), and by type of service (for example, firm, interruptible, other);
 7. Amount of and revenues from each service provided under R14-2-1605, and, if applicable, R14-2-1606;
 8. Value of all Arizona specific assets and accumulated depreciation;
 9. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;
 10. **Calculate the fuel mix percentages and emissions for the resources used to meet that portion of the load-serving entity's electrical load associated with the kilowatt hours delivered to retail customers derived from the following fuel sources characteristics i.e., biomass, coal, hydro, municipal solid waste, natural gas, nuclear, oil, solar, wind, and other renewable resources; and separate emissions**

characteristics i.e., carbon dioxide, nitrogen oxides, and sulfur dioxide. This information is to be disclosed to customers as required by the Commission and upon public and customer request.

~~10.11.~~ Other data requested by staff or the Commission;

~~11.12.~~ In addition, prior to the date indicated in R14-2-1604 ~~(D)~~, ~~(E)~~ Affected Utilities shall provide data demonstrating compliance with the requirements of R14-2-1604.

B. Reporting Schedule

1. For the period through December 31, 2003, semi-annual reports shall be due on April 15 (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The first such report shall cover the period January 1 through June 30, 1999.

2. For the period after December 31, 2003, annual reports shall be due on April 15 31 (covering the previous period of January through December). The first such report shall cover the period January 1 through December 31, 2004.

C. The information listed above may be provided on a confidential basis. However, Staff or the Commission may issue reports with aggregate statistics based on confidential information that do not disclose data pertaining to a particular seller or purchases by a particular buyer.

D. Any Electric Service Provider governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.

E. Any Electric Service Provider holding a Certificate pursuant to this Article shall report to the Director of the Utilities Division the discontinuation of any competitive tariff as soon as practicable after the decision to discontinue offering service is made.

F. In addition to the above reporting requirements, Electric Service Providers governed by this Article shall participate in Commission workshops or other forums whose purpose is to evaluate competition or assess market issues.

G. Reports filed under the provisions of this section shall be submitted in written format and in electronic format. Electric Service Providers shall coordinate with the Commission Staff on formats.

R14-2-1615. Administrative Requirements.

- A. Any Electric Service Provider certificated under this Article may ~~propose file~~ **proposed** additional tariffs for electric services at any time ~~by filing a proposed tariff with the Commission describing~~ **which include a description of the** service, maximum rates, terms and conditions. The proposed new ~~electrical~~ service may not be provided until the Commission has approved the tariff.
- B. Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.
- C. The Commission may consider variations or exemptions from the terms or requirements of any of the rules in this Article upon the application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.
- D. The Commission may develop procedures for resolving disputes regarding implementation of retail electric competition.

~~R14-2-1616. Legal Issues.~~

- ~~A. A working group to identify, analyze and provide recommendations to the Commission on legal issues relevant to this Article shall be established.~~
- ~~1. The working group shall commence activities within 15 days of the date of adoption of this Article.~~
 - ~~2. Members of the working group shall include representatives of Staff, the Residential Utility Consumer Office, consumers, utilities, and other Electric Service Providers. In addition, the Executive and Legislative Branches and the Attorney General shall be invited to send representatives to be members of the working group.~~
 - ~~3. The working group shall be coordinated by the Director of the Legal Division of the Commission or by his or her designee.~~
- ~~B. The working group shall submit to the Commission a report on the activities and recommendations of the working group no later than 90 days prior to the date indicated in R14-2-1602.~~
- ~~C. The Commission shall consider the recommendations and decide what actions, if~~

~~any, to take based on the recommendations.~~

R14-2-1616. Separation of Monopoly and Competitive Generation Assets

- A. An Affected Utility shall either divest itself of all generation assets and services prior to January 1, 2001, or transfer competitive assets to a separate corporate affiliate or affiliates, at a value determined by the Commission to be fair and reasonable, subject to hearing, by January 1, 2001.
- B. An Affected Utility shall not provide competitive services. However, this rule does not preclude an Affected Utility's affiliate from providing competitive services.

R14-2-1617 Electric Affiliate Transaction Rules.

- A. Separation: An Affected Utility and its affiliates shall operate as separate corporate entities. Books and records shall be kept separate, in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP). The books and records of any utility affiliate shall be open for examination by the Commission and its staff consistent with the provisions set forth in A.A.C. R14-2-1614.
1. An Affected Utility shall not share office space, equipment, services, and systems with its affiliates, nor shall an Affected Utility and its affiliates access any computer or information systems of one another, unless expressly provided for in these rules.
 2. An Affected utility, its parent holding company, or a separate affiliate created solely for the purpose of corporate support functions, may share with its affiliates joint corporate oversight, governance, support systems and personnel. Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements. An Affected Utility shall not use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates.
 3. An Affected Utility shall not trade, promote, or advertise its affiliate's affiliation with the utility, nor allow its name or logo to be used by the affiliate in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first

instance the Affected Utility name or logo appears, that:

Affected utility.

- a. The affiliate is not the same company as the Affected Utility;
and
 - b. Customers do not have to buy the affiliate product in order to continue to receive quality regulated services from the
4. An Affected Utility shall not offer or provide to its affiliates advertising space in any customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.
 5. An Affected Utility shall not participate in joint advertising, marketing or sales with its affiliates, or cause any joint communication and correspondence with any existing or potential customer.
 6. Except as provided in Section A.2, an Affected Utility and its affiliate shall not jointly employ the same employees. This rule applies to Board of Directors and corporate officers. However, any board member or corporate officer of a holding company may also serve in the same capacity with the Affected Utility or its affiliate, but not both. Where the Affected Utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for its affiliates, the prohibition outlined in this section shall only apply to affiliates that operate within Arizona.
 7. Transfer of Goods and Services: to the extent that these rules do not prohibit transfer of goods and services between an Affected Utility and its affiliates, all such transfers shall be subject to the following price provisions:
 - a. Transfers from an Affected Utility to an affiliate of goods or services for sale on the open market shall be priced at the ~~lower~~ of cost or fair market value. Transfers from an affiliate to its affiliated utility shall be priced at the ~~higher~~ of cost or fair market value.
 - b. Goods and services produced, purchased or developed for sale on the open market by the Affected Utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise permitted by these rules or applicable law.

higher

lower

- c. Good and services not produced, purchased or developed for sale by an Affected Utility to its affiliates shall be priced at fully loaded cost, plus 5% of direct labor costs. Transfers from an affiliate to an Affected Utility for such goods and services shall be priced at the lower of fully loaded cost or fair market value.

Where is B?

September 30,
 C. Compliance Plans: No later than ~~December 31~~, 1998, each Affected Utility shall file a compliance plan with the Commission demonstrating to the procedures and mechanisms implemented to ensure that activity prohibited by these rules will not take place. The compliance plan shall be submitted to the Utility Division and shall be in effect until a determination is made regarding its adequacy under these rules. The compliance plan shall thereafter be submitted annually to reflect any material changes.

- Need time for Staff review and public comment*
1. New Affiliate Compliance Plan: For each newly created affiliate subject to these rules, an Affected Utility shall file a compliance plan to be submitted to the Utility Division for review. The compliance plan shall demonstrate how the utility will implement these rules with respect to the new affiliate.
 2. No later than December 31, 1999, and every year thereafter, an Affected Utility shall have audits prepared by independent auditors which verify that the utility is in compliance with the rules set forth herein. Audits shall be prepared at shareholder expense.

D. Disclosure: An Affected Utility shall provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided prior affirmative customer written consent is obtained. Any non-customer specific non-public information shall be made contemporaneously available by an Affected Utility to its affiliates and all other service providers on the same terms and conditions.

1. Any list provided by an Affected Utility to its customers which includes or identifies the utility's affiliates must include or identify non-affiliated entities as well. If a customer request is made, the Affected Utility shall provide the customer with a list of all providers of electricity or utility related goods and services operating in its service territory, including its affiliates.
2. An Affected Utility may provide non-public supplier information and data which it has received from unaffiliated suppliers to its affiliates or nonaffiliated entities only if the utility receives prior authorization from the supplier.

3. Except as otherwise provided in these rules, an Affected Utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers.
 4. An Affected Utility shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions and all discounts. These records shall be maintained for a period of three years, or longer if required by this Commission or another governmental agency.
 5. An Affected Utility shall maintain a record of all contracts and related bids for the provision of work, product or services to and from a utility to its affiliates for a period of three years, or longer if required by this Commission or another governmental agency.
 6. To the extent that reporting rules imposed by FERC require more detailed information or more expeditious reporting, nothing in these rules shall be construed to modify such FERC requirements.
- E. **Nondiscrimination:** an Affected Utility shall not represent that, as a result of the affiliation with the utility, its affiliates or customers of affiliates will receive any treatment different from that provided to other, non-affiliated entities or their customers. An Affected Utility shall not provide its affiliates, or customers of its affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided by the utility.
1. **Discounts:** Except when made generally available by an Affected Utility through an open, competitive bidding process, if the Affected Utility offers a discount or waives all or any part of any charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to all similarly situated market participants. All competitors serving the same market as the Affected Utility's affiliates shall be offered the same discount as the discount received by the affiliate.
 2. If a tariff provision allows for discretion in its application, an Affected Utility shall apply that provision equally among its affiliates and all other market participants and their respective customers. If there is no discretion in the tariff provision, the Affected Utility shall strictly enforce that tariff provision.

3. Requests from affiliates and non-affiliated entities and their customers for similar services provided by the Affected Utility shall be processed equally and within the same time.
4. An Affected Utility shall not condition or otherwise tie the provision of any service provided, nor the availability of discounts of rates or other charges or fees, rebates or waivers of terms and conditions of any services, to the taking of any goods or services from its affiliates.
5. An Affected Utility shall not assign customers to which it currently provides services to any affiliate by any means, unless that means is equally available to all competitors.
6. In the course of business development and customer relations, except as otherwise provided for in these rules, an Affected Utility shall refrain from:
 - a. providing leads to its affiliates;
 - b. soliciting business on behalf of affiliates;
 - c. acquiring information on behalf of, or provide to, its affiliates; and
 - d. sharing market analysis reports or any non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates.
7. Any discounted rate, rebate, or other waiver of a charge or fee associated with services provided by an Affected Utility shall be recorded and maintained, for each billing period, with the following information:
 - a. name of the entity being provided services;
 - b. the affiliate's role in the transaction;
 - c. the duration of the discount or waiver;
 - d. the maximum rate;
 - e. the rate or fee actually charged during the billing period; and
 - f. the quantity of products or services scheduled at the discounted rate during the billing period for each delivery

*No comments regarding rest of DRAFT # 1.
Remaining pages are omitted.*