

OPEN MEETING ITEM

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MEMORANDUM

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AZ CORP COMMISSION

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RE-000000-94-0165

TO: THE COMMISSION

FROM: Ray Williamson
Acting Director, Utilities Division

DATE: July 15, 1998

RE: DRAFT OF CONSENSUS RECOMMENDATIONS OF THE LOW INCOME ISSUES
WORKING GROUP

The Low Income Issues Working Group has been meeting the last few months to address low income issues related to the introduction of retail electric competition. The group will shortly be issuing its final report. However, the group felt it might be helpful to provide the Commissioners with a draft of the working group's consensus recommendations, in light of the public comment sessions being held July 15-17, 1998. At the working group's next meeting on July 22, 1998, the wording of the consensus recommendations will be reviewed for possible modifications, if necessary, and additional consensus recommendations may be added. Each consensus recommendation is followed by a short explanatory paragraph. These consensus recommendations are being provided to the Commissioners for informational purposes and will be incorporated in the low income issues working group's report.

Ray Williamson
Acting Director
Utilities Division

RTW:BG:

Low Income Issues Working Group Consensus Recommendations - Draft

1. *At a minimum, preserve the existing low income programs and funding for the affected utilities including rate discounts, weatherization, bill assistance, and education.*

Prior to the introduction of retail electric competition in Arizona, some low income utility customers benefited from a number of low income programs, including weatherization, rate discounts, bill assistance, and energy education. The level of funding for these programs varied by utility and some utilities did not offer some or all of these programs. Arizona's low income utility customers should not see a reduction in the level of assistance they currently receive, as a result of the introduction of retail electric competition.

- 1A. *Current levels of rate discounts to customers at current benefits levels should continue irrespective of energy supplier.*

Low income customers should not see a decrease in their existing rate discount benefit as a result of changing energy suppliers. Current rate discounts typically are given as a percentage off of the customer's bill. In the competitive market, the generation and distribution portions of the customer's bill will be represented separately.

2. *Statewide comparability of low income programs is a goal and it should be encouraged.*

Recognizing that this requires ACC and State Legislative action, consistent systems of statewide funding for low income programs and equitable funding from all utility ratepayers should be encouraged. Statewide low income programs, which are consistent from utility service territory to utility service territory, are a complex issue which cannot be fully addressed by the Low Income Issues working group at this time. The working group discussed the pros and cons of such an approach and recognized that to pursue a statewide approach to low income programs, issues such as the multi-jurisdictional nature of Arizona's utility industry should be pursued.

3. *All customers should pay system benefits charges on a non-bypassable per kWh basis.*

The System Benefits Charge was created to ensure that all customers who enter the competitive market will continue to pay for certain public interest programs, including low income programs. Section R14-2-1608.A of the Retail Electric Competition Rules explicitly states that the System Benefits Charge is "non-bypassable" and should be recovered "from all consumers . . . who participate in the competitive market."

- 3A. *We support adoption of Staff's proposed language in R14-2-1613.I.12 of the June 23, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed language states that "Transmission primary voltage CT's and PT's may be owned by the Affected Utility only." This language closes the potential loophole to the non-

bypassability of the System Benefits Charge of a large end-user beginning to take service off of transmission lines at the 69 kV or higher level. This type of bypass would reduce the amount of funding received through the System Benefits Charge for low income programs and other public interest programs.

4. *We support adoption of Staff's proposed language in R14-2-1608.A of the June 23, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed wording states that:

"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 customers located in the Affected Utility's service area who participate in the competitive market. Affected Utilities shall file for review of the System Benefits Charge at least every three years. The amount collected annually through the System Benefits Charge shall be sufficient to fund the Affected Utilities' Commission - approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs in effect from time to time."

Adoption of the proposed changes to the rules would clarify this section of the rules, provide for a regular review of the System Benefits Charge and its components, and would allow for adjustments to the funding levels of programs.