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ARIZONA CORPORATION COMMISSION

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Jennings Strouss & Salmon

July 22, 1998

Hand Delivered

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

Arizona Corporation Commission

DOCKETED

JUL 22 1998

DOCKETED BY *Hmb*

Re: Response of SRP to the 2nd Draft of Proposed Revisions to the Retail Electric Competition Rules (R14-2-1601 et seq.)

Dear Ray:

We have reviewed the second draft of the Proposed Revisions to the Retail Electric Competition Rules and it appears that few of the changes suggested by SRP were made. In response to the second draft, we resubmit the comments which we made to the first draft.

There is one significant change, regarding which we have a question. This is the deletion of the requirement that an electric service provider apply for authority for each distribution system. We assume that this means that electric service providers now will be certificated statewide, including in the service territories of public power entities. If this is the case, we recommend that the rules be changed to make this clear. We suggest the language in our first set of comments which allow application for statewide authority.

House Bill 2663, which will be effective on August 21, requires that the ACC and public power entities (SRP) coordinate their efforts for the purpose of achieving statewide consistency. We are anxious to continue the process with you. I am enclosing a letter which SRP president William Schraeder delivered to Chairman Irvin several weeks ago. We have followed up this letter with several conversations with Paul Bullis, who indicated that you will be coordinating this effort. We are anxious to begin a new round of cooperative efforts, and suggest that we do so in the manner set forth in Mr. Schraeder's letter. Please call me, or ask Mr. Bullis to call me, in this regard.

Ray T. Williamson

July 22, 1998

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Please call if you have any questions about the SRP position on the draft rule revisions.

Very truly yours,

JENNINGS, STROUSS AND SALMON, P.L.C.

By

A handwritten signature in black ink, appearing to read "K. Sundlof, Jr.", written over a horizontal line.

Kenneth C. Sundlof, Jr.



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WILLIAM P. SCHRADER, PRESIDENT
JOHN M. WILLIAMS, Jr., VICE PRESIDENT
RICHARD H. SILVERMAN, GENERAL MANAGER

June 25, 1998

Mr. Jim Irvin
Chairman
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Coordination between the Commission and SRP

Dear Jim:

As we have discussed it is important for SRP and the Commission to continue and accelerate our efforts to coordinate our respective activities of transitioning Arizona to a competitive electric market. By this letter, I propose that we set a series of staff-level meetings to focus on the appropriate details of our coordination efforts.

In the many meetings between SRP and the Commission the discussion has focused on some of the big picture items such as stranded cost recovery, customer selection and the timing of the transition to a competitive market. Of course, these issues either are addressed in the legislation, or are the subject of our respective public processes. I suggest that our focus be the subject areas where coordination can be accomplished within the latitude given both of us.

Our General Manager has identified these areas where we believe coordination will be appropriate and achievable:

- Protocols and procedures for system access including for example, scheduling protocols and coordination, congestion management, and reporting requirements.
- Financial and other requirements for electric service providers including deposits and assurance of financial stability.
- Reporting of transmission system availability and total transfer capability.
- Audit program, such as an ISA, ISO or other structure.
- Ancillary services.
- Emergency operations.
- Identification of must run units.
- Complaint resolution.
- Consumer protection.
- System benefits.
- Consumer education.

Letter to Mr. Jim Irwin
June 25, 1998

Our General Manager has assigned appropriate personnel to meet on each topic. We ask that you do the same. This is a practical approach to meeting our statutory obligation to coordinate our efforts. The Commission's designee should contact our attorney Kenneth Sundlof, with Jennings, Strouss and Salmon, at 262-5946, to begin the process of identifying appropriate personnel, scheduling meetings and working together on these issues.

Thank you for your cooperation to date.

Very truly yours,



William P. Schrader
President

Copies to: Renz Jennings, ACC
 Carl Kunasek, ACC
 SRP Board
 John Williams, Vice President
 Richard H. Silverman, General Manager
 Kenneth Sundlof