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AZ CORP COMMISSION

Ray T. Williamson
Acting Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

**Re: Staff's Second Draft of Proposed Revisions to Electric
Competition Rules (Docket No. RE-00000C-94-0145)**

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Dear Ray:

Arizona Public Service Company ("APS" or "Company") is appreciative of this opportunity to supplement both its July 6th comments ("Original Comments") and Jack Davis' oral presentation at the Arizona Corporation Commission's ("Commission") July 15th Public Meeting. Although the Company has, in large part, heeded your admonition about rearguing old points, APS respectfully asks that you and your Staff again carefully review the Company's Original Comments. APS stands by the need for each of the changes and additions outlined therein. Avoiding ambiguities and internal inconsistencies in Staff's proposed electric competition rules ("Proposed Rules")¹ will never be easier than now, when all of us can presumably agree on what we mean by a specific regulation - not two years down the road in the middle of some heated dispute. Indeed, at our meeting of July 8th, it appeared that Staff had agreed to certain changes (and expressed no opposition to others), which nevertheless did not appear in the second draft of the Proposed Rules. Therefore, if it appears to you that APS is "beating a dead horse" on a particular issue, I apologize in advance, but I do not want Staff to overlook an otherwise useful amendment to the Proposed Rules because the Company was in any way lax in pressing its point of view.

¹ Since the Proposed Rules are, in large part, amendments to Article 16 of the Commission's rules and regulations, these supplemental comments may also refer to the Proposed Rules as "Article 16" or "Article 16 Rules."

APS has organized its supplemental written comments into eight areas. The first seven were highlighted in Mr. Davis' July 15th oral comments. These include:

- 1) Inconsistencies in Proposed Rules 1601, 1605, 1606, 1613, 1616 (and also in portions of Staff's proposed changes to Article 2)² as to the scope of services both permitted and required of Affected Utilities (and later, of UDCs), and between the definitions of the terms "Competitive" and "Non-Competitive" services set out in Proposed Rule 1601 and the subsequent description of these services in the text of the Proposed Rules;
- 2) Affiliate Issues (Proposed Rule 1617);
- 3) The use of the ambiguous terms "utility" and "entity" in the aforementioned proposed changes to Article 2;
- 4) Labeling and reporting requirements [Proposed Rules 1604(B)(5) and 1618];
- 5) Standard Offer requirements (Proposed Rule 1606);
- 6) Solar Portfolio (Proposed Rule 1609); and,
- 7) ISA/ISO (Proposed Rule 1610).

The eighth category is a miscellaneous catchall generally ranging from minor inconsistencies and isolated ambiguities to mere typos. However, APS does have a substantive comments on Proposed Rules 1608 and 1613 included in this section.

II. INCONSISTENCIES IN SCOPE OF PERMITTED/REQUIRED SERVICES AND IN TERMS "COMPETITIVE SERVICES" AND "NON-COMPETITIVE SERVICES"

APS believes that the best way to start this discussion is to briefly review what APS understands to be the overall role for Affected Utilities (and eventually, UDCs) envisioned by the Proposed Rules, as well as the distinction between competitive and non-competitive electric services. To the extent Staff takes issue with these fundamental assumptions, it must modify some of the Company's specific suggestions. Nevertheless, the central thrust of APS' position,

²A.A.C. R14-2-201, *et seq.*

i.e., to clearly and consistently define and use critical terms such as "Competitive" and "Non-Competitive," is still valid and should be reflected in Staff's final proposal to the Commission.

Assumption No. 1 - Affected Utilities and UDCs are required to provide, on the basis of regulated monopoly, Standard Offer service (including metering, billing and collection for Standard Offer Service) and unbundled distribution service. *See* Proposed Rules 1601(24); 1605(B); 1606(A); and 1606(D)(1).

Assumption No. 2 - Affected Utilities and UDCs are required to provide, again on a regulated monopoly basis, transmission and related "ancillary services." *See* Proposed Rules 1605(B) and 1606(D)(4) and (5).

Assumption No. 3 - In addition to providing metering for Standard Offer customers, Affected Utilities and UDCs also retain a monopoly under the Proposed Rules over certain aspects of metering for all customers served at "Transmission Primary Voltage" ("TPV"), as that term is defined in Proposed Rule 1601(34). Specifically, Proposed Rule 1613(I)(12) restricts ownership of "Current Transformers" [Proposed Rule 1601(8)] and "Potential Transformers" [Proposed Rule 1601(27)], both of which would fall under the definition of "Metering Service" [Proposed Rule 1601(22)], to Affected Utilities (and presumed, UDCs) for these TPV customers. Consequently, it is simply incorrect to assert, without qualification, that "Metering Service" is competitive.

Assumption No. 4 - Affected Utilities and UDCs are required to provide unbundled metering, billing, collection, information, and potentially other services "to all eligible purchasers" in competition with other providers of such services. *See* Proposed Rules 1605(B) and 1606(D)(2), (3), (6) and (7). As Mr. Davis noted in his oral comments, not only do the Commission's electric competition rules authorize, and indeed mandate a role by UDCs in providing metering and billing services for ESPs, there is no other practical way to provide metering for the 20kW and below, load-profiled customers. Moreover, many smaller ESPs will no doubt depend on the incumbent utility to provide these support services, just as has been universally the case in telecommunications. Prohibiting the UDC from providing metering and billing for competitive services will simply result in higher metering and billing costs to consumers and fewer competitors in the area it counts the most - electric energy,

Assumption No. 5 - Affected Utilities are generally prohibited from providing "Competitive Services." *See* Proposed Rule 1616(B).

As is readily apparent, Assumptions 4 and 5 are in direct conflict. Moreover, each of these assumptions is at least in partial conflict with one provision of the Proposed Rules or another. For example, Proposed Rule 1605 (B) would appear to authorize competition in the

provision of Standard Offer service (including, but not limited to metering and billing for Standard Offer service) and in all Metering Service [(including those aspects of TPV metering restricted solely to Affected Utilities under Proposed Rule 1613(I)(12)]. To straighten this all out, APS makes the following recommendations:

- 1) Amend Proposed Rule 1601(24) - the definition of "Non-Competitive Services" - to include all of the services described in Assumptions 1-3 above, namely: Standard Offer Service (already in definition); distribution service (already in definition); transmission and FERC-required ancillary services (not presently in definition); and those aspects of Metering Service described in Proposed Rule 1613(I)(12) (not presently in definition).
- 2) Modify the first sentence in Proposed Rule 1605(B) to read: "Any service described in R14-2-1606, except those classified by this Article as Non-Competitive."³
- 3) Modify Proposed Rule 1616(B) by inclusion of the words: " as permitted or required by this Article or" after the word "except."⁴

These three simple amendments would not only conform and harmonize all parts of the Proposed Rules to the five basic assumptions described above, it will also make the requirements of Article 2 consistent with the scope of UDC and ESP activities under Article 16.

III. AFFILIATE TRANSACTIONS

Proposed Rule 1617 suffers from both under-inclusion and over-inclusion. It is under-inclusive because the Proposed Rule fails to impose similar requirements on other ESPs that are affiliated with distribution utilities (e.g., PG&E) even though witnesses for these entities in the recent stranded cost proceeding did not oppose such requirements and even though the harm to

³ Proposed Rule 1605(B) could also list all of the designated non-competitive electric services included in the revised definition of "Non-Competitive Services", but this would be unnecessary if the definition is modified as proposed by APS and the defined term thereafter used in Proposed Rule 1605(B).

⁴ If, on the other hand, it is Staff's recommendation that Affected Utilities (and UDCs) not be permitted to offer metering, billing and collection, etc., for competitive generation ESPs, even if pursuant to a Commission-regulated tariff, then it should delete these services from the scope of Proposed Rule 1606(D) and modify the definition of "Metering Service" [Proposed Rule 1601(22)] so as to exclude those parts of metering encompassed by Proposed Rule 1613(I)(12).

competition (i.e., cross-subsidies from monopoly services to competitive services) is the same whether the monopoly service is in Arizona or another state.⁵ Proposed Rule 1617 is over-inclusive in that it goes beyond the stated objective of preventing the UDC from subsidizing or in any way favoring its competitive electric affiliates.

The under-inclusion problem can be solved by modifying the definition of UDC [Proposed Rule 1601(37)] in the manner suggested in the Company's Original Comments. Specifically, the following sentence should be added: "For purposes of R14-2-1617, UDC also means any affiliate of an Energy Service Provider that would be a UDC if it were otherwise subject to the Commission's jurisdiction as a public service corporation." (Staff could instead attempt to add the more generic term "ESP" to specific provisions of Proposed Rule 1617, but as noted below, this can lead to over-inclusion problems that are avoided by the more simple definitional change noted above.)

The over-inclusion problem is more complicated and requires several discrete changes to Proposed Rule 1617:

- 1) The words "utility affiliate" should be stricken from the second sentence of Proposed Rule 1617(A) and replaced with the words: "ESP affiliate of an Affected Utility or UDC." This is consistent with both Proposed Rule 1614, which is cited in the sentence, and with the stated intent of this regulation. Other (non-electric) affiliates of an Affected Utility or a UDC are covered by A.A.C. R14-2-804(A), and there is no need to create a new and possible conflicting provision for such affiliates.
- 2) Delete "ESP" from Proposed Rule 1617(B). There is no reason why a competitive ESP, whether or not affiliated with a UDC, should be required to share its competitive customer information with anyone except perhaps the Commission. Indeed, the exclusion of the term "ESP" from the last sentence of Proposed Rule 1617(B) is an indication that its inclusion in the previous two sentences was an unintentional oversight.
- 3) Delete Proposed Rule 1617(B)(2). As set forth in the Company's Original Comments, vendors of goods and services to UDCs are more than capable of protecting via contract their information and data from disclosure to third parties if they believe such protection is important. The UDC's

⁵ Some ESPs may even have distribution affiliates in Arizona and yet not be subject to these restrictions because they do not fall within the scope of "Affected Utilities" (e.g., an affiliate of SRP).

market power lies in its provision of distribution and transmission services, not in its purchase of goods and services from others.

- 4) Delete "ESP" from Proposed Rule 1617(C)(1). There is no purpose served by limiting the ability of competitive ESPs from granting selective discounts, even to its UDC affiliate. The Proposed Rule, as currently drafted, would effectively prevent all selective discounting by the UDC's competitive ESP affiliate, which in turn pretty much ends that entity's ability to compete with other ESPs. There is no rational reason for a competitive ESP to subsidize its non-competitive affiliate, thus it must be presumed that any selective discount given was in response to competition from other ESP's for the UDC's business [e.g., the competitive bids required under Proposed Rule 1606(B)]. Even if the ESP affiliate acts irrationally by giving its UDC affiliate an unnecessary discount, this harms only the competitive ESP and helps the UDC's customers. It does not adversely affect competition.
- 5) Delete "ESP" from Proposed Rule 1617(C)(5). The inclusion of competitive ESPs is even more inappropriate here. Why should an ESP be prohibited from engaging in the listed activities with another affiliated ESP? Indeed, the whole point of forming a competitive power marketing affiliate is quite often to market the competitive generation of the competitive generating affiliate or to package such generation with the competitive services (e.g., DSM) provided by yet a third competitive affiliate.

Proposed Rule 1617 also has its own share of ambiguities. APS' Original Comments noted the potential problem with Proposed Rule 1617(C)(3) and proposed including a few examples of what would not be considered an "undue preference or priority." APS strongly believes that these additions would go a long way towards avoiding future disputes over this provision. On the other hand, Proposed Rule 1617(A)(7)(a) reflects only part of the language suggested by the Company in its Original Comments and presumes that every service provided by an Affected Utility or UDC would necessarily be a tariffed utility service. Since this latter presumption is obvious false, the whole provision becomes confusing. APS urges Staff to adopt all of the language proposed by the Company in its Original Comments on this paragraph.

Finally, the Company again urges Staff to reconsider the mandatory annual outside audit requirement of Proposed Rule 1617(D). Although Staff has removed in this second draft the offensive language requiring utility shareholders to absorb this cost, the broader issue is why incur the cost at all if: (I) the Affected Utility or UDC has internal auditing procedures in place

that are acceptable to the Commission; (ii) the Commission as well as the FERC and SEC auditors have full access to all the information required to assure themselves that the UDC is not subsidizing or discriminating in favor of a competitive affiliate; and (iii) there is no evidence that the UDC is not in substantial compliance with this regulation. APS' proposed language in its Original Comments stressed the role of internal audit controls and yet would allow the Commission to order periodic outside audits of compliance on an "as needed" basis.⁶ This would avoid burdening the UDC with unnecessary costs at precisely the time the Commission is looking for ways to decrease rates.

IV. ARTICLE 2 ISSUES

Although both A.A.C. R14-2-201(45) and Proposed Rule 1613(A) attempt to define the term "utility," these definitions are inadequate for three basic reasons:

- 1) A.A.C. R14-2-201(45) is so broad as to encompass every sort of ESP, UDC and non-certificated provider of service and is therefore useless outside the context of a vertically integrated monopoly provider;
- 2) Proposed Rule 1613(A) attempts to get around the first problem by stating that : "the term 'utility' shall pertain to Electric Service Providers providing the services described in each paragraph of R14-2-201 through R14-2-212." Unfortunately, it is not always clear precisely what "service" is being described in a specific paragraph. For example, is a meter deposit a metering service issue or a billing service issue? Is disconnection for non-payment a distribution service issue or a collections issue?
- 3) Even if problem 2 did not exist, a UDC (to which many of the Article 2 provisions obviously are intended to apply) is, by definition, not an ESP and thus falls outside the definition of "utility" provided by Proposed Rule 1613(A).

APS wishes there was an easy fix for this problem. Unfortunately, there is no substitute for going through each paragraph and deciding whether it applies to UDCs, ESPs, or both. This already difficult task will be further complicated by the fact that some service providers to which some of these provisions might readily apply (e.g., billing and collection entities) are no longer ESPs under this draft of the Proposed Rules and thus would not be encompassed by either term.

⁶ Another suggestion might be to require such an outside audit only if the UDC is seeking a rate increase.

Two new problems in Article 2 arise from: (i) the use of the undefined term "entity" in Proposed Rule 209(C) and (F); and (ii) the addition of a new sentence in Proposed Rule 210(B)(1). Both the source and purpose of these changes to Staff's first draft is a mystery to the Company.

APS suggests substituting for the term "entity" the words "Customer or the customer's ESP or UDC" to solve the first problem. This would clearly identify those entities that can obtain meter rereads or meter testing. APS would also note that the title of these subsections should probably be changed to simply say "Meter Rereads" [Proposed Rule 209(C)] and "Requests for Meter Test" [Proposed Rule 209(F)]. This would conform the title with the text of these provisions.

The second issue is far more serious. APS would delete the proposed additional sentence in its entirety. Competitive services are clearly aggregatable under Proposed Rule 1604, and this new language merely confuses the issue both by suggesting that loads less than 40 kW could be aggregated for billing purposes or worse yet, that non-competitive services such as Standard Offer or distribution could be aggregated for billing purposes. This is precisely the opposite of what the Commission determined barely a year ago in Decision No. 60292 (July 2, 1997)⁷ and, if permitted, would cost APS and its other customers tens of millions of dollars a year. If total deletion of the sentence in question is unacceptable to Staff, an alternative would be to add the phrase "of Competitive Services" after the word "aggregation." This would solve at least part of the problem created by this language although the confusion about its applicability to loads smaller than 40 kW would remain until all loads were eligible for competitive services in 2001.

V. LABELING AND REPORTING

At present, APS can offer little more than to reiterate Mr. Davis' suggestion that the labeling and reporting requirements of Proposed Rule 1618 are still burdensome, impractical, and likely to be counterproductive. The Commission should designate a special task force headed by Staff and including Affected Utilities, potential ESPs, and consumer representatives, to come up with labeling and reporting standards for ESPs that meet each of three basic objectives:

- 1) The information should be readily obtainable by the Affected Utility, ESP or UDC. Accurately tracing electrons through ten or fifteen previous transactions to determine their original source and then attributing to those

⁷ That decision resulted from a complaint by Maricopa County against APS involving precisely this provision of A.A.C. R14-2-210.

electronics certain emissions characteristics are impossible tasks. On the other hand, providing consumers with such information based on arbitrary assumptions or plain old guesses does little to promote informed consumer choice.

- 2) The information should be useful to the clear majority of customers. Some customers may find a supplier's labor practices or the political affiliation of its president an important factor in their purchasing decision, but there are obvious limits to how much information can and should be thrown at consumers at every turn. Labeling should concentrate on price and reliability - matters obviously of interest to virtually all consumers.
- 3) ESPs should not be required to divulge competitively sensitive information. Some of the price and terms data included in Proposed Rule 1618 may well be proprietary secrets in a competitive market.

This task force should be given roughly thirty days to come up with a recommendation to Staff and the Commission.

Proposed Rule 1604(B)(5) is still only applicable to Affected Utilities. As noted in the Original Comments, the competitive ESPs will often be in a far better position to provide this information. Also, the residential "phase-in" lasts only two years, while this reporting requirement appears to last indefinitely. APS again urges Staff to adopt the language proposed by the Company in its Original Comments.

VI. STANDARD OFFER ISSUES

Proposed Rule 1606(B), although modified from Staff's first draft, is still a big problem. It is unreasonable to expect all Standard Offer power to come from competitive bidding. Short-term purchases will likely be made on a PX or similar commodities trading market. Emergency purchases will necessarily come from interconnected systems such as SRP. Yet other purchases will come from "must-run" units. The "ratchet down" requirement for long-term contracts will likely make Standard Offer power much more expensive than would otherwise be the case had more flexibility been permitted. The Company's Original Comments provided both flexibility to the contracting UDC and enhanced Commission oversight. If that is not acceptable language, then APS would suggest deleting the provision *en toto* and deferring resolution of this issue, as was suggested by AEPCO and others on July 15. Having no provision at this time is far preferable to having a bad one.

Proposed Rule 1606(A) also adds the term "provider of last resort." As first noted in the Company's response to Staff's earlier Position Paper, APS does not understand how this obligation is different from the Standard Offer and thus asks Staff to define the former term.

VII. SOLAR PORTFOLIO

APS supports a solar portfolio standard ("SPS") that is reasonable (both from a cost and technology point of view), sustainable over the long run, and non-bypassable by out-of-state ESPs and self-aggregators. Proposed Rule 1609, although a modest improvement over the original regulation, still fails to meet any of these objectives. APS will work with Staff to further refine the SPS in the months preceding January 1999.

Proposed Rule 1609(G) is still confusing. In addition to some garbled language, it is not clear whether distributed solar equipment installed by the UDC (or installed by an Affected Utility prior to 2001 and thereafter retained by the UDC) will count toward meeting the SPS of the UDC's ESP affiliate. If not, this provides a powerful disincentive for either the ESP or the UDC to promote distributed solar electric applications in lieu of substation upgrades or new substation construction. It is time to face up to the fact that the "goals" of Decision No. 58643 have been rendered meaningless by the Proposed Rules, which in addition to creating the SPS, require Affected Utilities to divest much of the very solar generation originally contemplated by Decision No. 58643. Deletion of this provision is the appropriate solution.

APS would also add one more specific concern. Proposed Rule 1609(K) makes it impossible for an ESP to know whether solar facilities it is either constructing or purchasing, or any output from such facilities will qualify for the SPS until the Director establishes technical standards for such equipment. Since no such standards have been established at present nor is any date set for their establishment, this provision is a clear disincentive for the early installation of solar facilities otherwise encouraged by Proposed Rule 1609. This provision should either be removed or modified to apply only to facilities constructed or acquired after the referenced standards are publicly issued.

VIII. ISA/ISO

As noted by Mr. Davis on July 15, APS expects to be able to provide Staff with consensus language to replace the last sentence of Proposed Rule 1610(A). Such language should be available in time to be included in any rule considered by the Commission at its August 5th Open Meeting. APS also notes that whatever the Commission and other interested parties come up with, it is FERC that will have the final say on transmission priority.

Proposed Rule 1610(H) assumes that FERC will regulate "must run" units. Although that is clearly true once these units have been divested or if they sell to an ISO, it is at least possible that these units will still be jurisdictional to the Commission on 1/1/99, and thus the language in the rule should add the phrase "if appropriate" after the word "filed" in the last sentence.

IX. MISCELLANEOUS

APS has a number of comments that fall into this category. They defy being readily grouped, and so perhaps it is best just to start with Proposed Rule 1601 and work through the balance of the Proposed Rules.

1. Substitute the term "ESP" for "entity" in Proposed Rule 1601(2). As written, it is still unclear whether third-party aggregators are or are not considered ESPs or whether they have to seek certification under Proposed Rule 1603. This simple change would clarify both issues.
 2. The term "Control Areas" is capitalized in Proposed Rule 1601(7) but is not a defined term. APS would suggest adopting the definition of "Control Area" contained in the November 18, 1997 Final Report of the Commission's Electric Systems Reliability and Safety Working Group, Appendix A at 3.
 3. The word "terms" is misspelled in Proposed Rule 1601(11).
 4. Proposed Rule 1601(13) effectively takes billing and collection, as well as information service entities out of the definition of ESP because such entities do not require certification. Since many sections of the Proposed Rules are keyed to the term ESP, this language results in exemption for these entities from many provisions of the Proposed Rules that would otherwise apply. It is not clear to the Company that such an exemption was Staff's intended result.
 5. APS would add the following additional definition to Proposed Rule 1601:

"Metering Committee" means the Commission-supported metering committee composed of representatives from Arizona Affected Utilities, ESPs doing business in Arizona, MRSPs doing business in Arizona and Commission Staff.
- The term Metering Committee appears in Proposed Rule 1613(I)(14), (15) and (16) but is nowhere defined or even described.
6. APS does not understand why its suggested language in Proposed Rule 1601(28) was not

adopted. The proliferation of unqualified schedule coordinators is clearly undesirable. Even if all Scheduling Operator "want-to-be's" were qualified, there is a limit (at least before the ISO is up and going) to how many entities can be effectively handled by the ISA or Control Area Operator. The Commission is the logical entity to determine how many Schedule Coordinators will be permitted and what will be their qualifications.

7. The definitions in Proposed Rule 1601(34) and (35) may still contradict each other. FERC defines transmission for APS as 69kV and above, which definition is therefore incorporated by reference into Proposed Rule 1601(35). Yet Proposed Rule 1601(34) defines TPV as over 25 kV. The qualifying language added to the former definition in Staff's second draft was helpful but may not fully resolve the problem. The Company's Original Comments address this issue at page 2.

8. The proposed deletion from Proposed Rule 1603(B) of the second sentence would place that provision in conflict with Proposed Rule 1611(A) and with the provisions of H.B. 2663, which prohibits competition in the service areas of certain entities without their permission.

9. Proposed Rule 1603(G)(6) requires that all "Service Acquisition Agreements" be approved by the Commission. Given the likely volume of such agreements, this requirement will prove unwieldy in practice unless the Commission can approve some standard form of agreement in advance. In addition, such agreements, to the extent they are with the Scheduling Coordinator rather than with the UDC, may well be under FERC's jurisdiction rather than the Commission's.

10. Add the modifier "single premise" after the word "individual" in Proposed Rule 1604(A)(2). In utility parlance, "customers" do not have demands - "premises" do. Also, this change would clarify which premise loads can be aggregated for customers having multiple premises. APS also asks that Staff reconsider aggregating non-residential loads less than 100 kV in this first phase. This higher threshold will eliminate the need for determining a kWh equivalent because these larger customers should all have measured demands. Keep in mind that customer aggregation at any level presents many difficult administrative issues and handling all 1 mW customers, in addition to aggregations of these larger 100 kW customers, and the residential phase-in (all of which would begin in less than five months from the time the Proposed Rules are to be considered by the Commission) is already more than enough to deal with in the first wave.

11. Add the following sentence after the end of Proposed Rule 1605(B): "However, self-aggregators are still required to obtain Service Acquisition Agreements and to comply with the provisions of R14-2-1609." This will ensure both that self-aggregators play by the same scheduling rules as ESPs and that self-aggregation does not become a means for bypassing the SPS.

12. Proposed Rule 1608(A) has the word "fuel" missing from the last sentence. Also, APS does not understand why Commission-ordered customer education programs continue to be missing from this provision. There appeared to be a broad consensus in support of this addition, and no alternative funding source is identified in the Proposed Rules. Finally, it is still unclear whether or not the SBC can be modified more frequently than triennially if the Commission orders additional or expanded social programs covered by the SBC (or if programs are eliminated or scaled down) within the three year period contemplated by this Proposed Rule. It was the consensus recommendation of the Low Income Subcommittee of the Metering and Unbundling Working Group that such a filing be required at least every three years - but that more frequent filings not be prohibited.

13. Proposed Rule 1612(C) and (D) adopted the new language from the Company's Original Comments but did not delete the original language from the first draft. As a result, it is even less clear when a contract will become effective or when a contract has to be submitted to the Director.

14. Proposed Rule 1613(H)(5) should have the words "usage and demand" inserted before the word "billing." Without this clarification, the rule literally requires all billing related data to be translated into EDI format, when the intent was only to translate data that needed to be shared between the UDC and ESP.

15. Proposed Rule 1613(H)(6) should be deleted. The previous paragraph dictates the format for both metering and billing data. This provision would require use of a VAN network, necessitating an expensive third-party vendor charging a fixed fee per transaction.

16. Add the words "direct access" before the word "customer" in Proposed Rule 1613(M) and also the words "where applicable" after the word "elements." These additions conform the text of the rule with its title and recognize that not all these elements will appear on a single bill in the situation of multiple billing entities. The former addition is a particularly important change and should not be lost simply because it is buried in the MISCELLANEOUS section of these comments. APS doubts that it is physically possible to modify its billing system by 1/1/99 to add this level of detail to Standard Offer bills - a task not required under the rules as they were passed in 1996. Moreover, unbundling the billing for Standard Offer customers will result in unbundled elements that do not add up to the bundled charge shown on the bill. This will greatly confuse customers and lead to misleading comparisons between the customer's bundled bill and that which he might receive as a direct access customer.

17. Proposed Rule 1613(I) requires a number of small, yet significant changes. APS lists them below:

- a) Delete the words "from the meter to the billing company" and substitute "from the MRSP to the ESP, Scheduling Coordinator and UDC" in Proposed Rule 1613(I)(6). As written, the provision requires a dedicated Internet connection for every meter, which was not the intent of this section.
 - b) Add a second sentence to Proposed Rule 1613(I)(8): "For new accounts with no prior history, the UDC's estimated kW load used for the service entry design will be used as the measure of such customer's demand for purposes of this provision." This will clarify how loads will be determined when a new customer is added to the UDC system.
 - c) Delete the words "for metering purposes" from Proposed Rule 1613(I)(13) and add the following in their place: "when monitoring response time performance requirements related to metering and billing." This reflects the intent of this provision as discussed in the Metering Committee.
 - d) Add the word "competitive" before the word "primary" in Proposed Rule 1613(I)(14) and the words "for competitive customers" at the end of both Proposed Rule 1613(I)(15) and (16). It was always the intent of the Metering Committee that these provisions only apply to non-Standard Offer metering services.
18. Proposed Rule 1618(A) and (H) uses the term "load serving entity," but that term is no longer defined. This appears to be an oversight because the first Staff draft did contain such a definition.
19. Lastly, Article 2 of the Proposed Rules requires the following non-substantive changes:
- a) Proposed Rule 209(E)(2)(b) - Typo in first line;
 - b) Proposed Rules 210 and 211 - Change "LDC" to "UDC;" and,
 - c) Proposed Rule 210(B)(1) - Typo (third line is repeat).

X. CONCLUSION

I hope you have found these supplemental written comments helpful. I realize they have been extensive and detailed, but they are offered out of a sincere desire on the part of APS to see

Ray T. Williamson

July 22, 1998

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the implementation of electric competition go as smoothly as is possible. As before, I and my staff are at your disposal should you have any questions about either these comments or the Company's Original Comments.

Sincerely,

A handwritten signature in cursive script that reads "Donald G. Robinson" followed by a stylized flourish or initials.

Donald G. Robinson