



# TRICO

Electric Cooperative, Inc.



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A Touchstone Energy™ Partner



July 21, 1998

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RE-00000 C-94-0165

Jim M. Irvin, Chairman  
Renz D. Jennings, Commissioner  
Carl J. Kunasek, Commissioner  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

DOCUMENT CONTROL  
Arizona Corporation Commission  
**DOCKETED**

JUL 29 1998

DOCKETED BY *[Signature]*

ARIZONA CORPORATION  
COMMISSION  
**RECEIVED**  
JUL 22 1998  
Director of Utilities

Commissioners Irvin, Jennings and Kunasek,

As elected representatives of our Customer/Owners, we are very concerned about the impact that some of the new sections of the proposed revisions of the Retail Electric Competition Rules will have on our Cooperative.

We do not feel these additions are in the best interest of our Customer/Owners and we would appreciate your consideration of our point of view.

The basis for forming the rural electric cooperatives was in essence an aggregation of rural people who were not served by investor owned utilities. We feel this makes us different. Our Customer/Owners own our facilities which was the only way our Members could obtain electric service.

### R14-2-1606.B Competitive Services for Standard Offers

**We are opposed to the requirement that service to Standard Offer customers should be competitively bid. We feel that these provisions will deprive the ability of our Customer/Owners to maintain ownership of their electric energy generating facilities via their ownership of Arizona Electric Power Cooperative (AEPSCO). We see the possibility of other utilities or marketing entities in the short run underbidding the price of electricity delivered by AEPSCO with the serious potential of undermining AEPSCO's financial position. While this might provide some minor short run savings in the cost of electricity for our Customer/Owners, we feel that such benefits may quickly erode with a future upward cost of electricity. At the very minimum, AEPSCO should be permitted to sell electricity to its Members with respect to the Members' Standard Offer to its customers. We feel through AEPSCO we have a very competitive and long term valuable electric generation asset, and we feel that the majority of our Customers/Members would want to maintain such ownership. This does not constrain any of our Members to individually elect to choose the unbundled rate competition option.**

**R14-2-1616.B Separation of Monopoly and Competitive Services**

**We are opposed to this provision. This provision strikes a serious blow at the efficiencies built into our present system and its implementation will increase the cost to our Customer/Owners. Let us cite two examples. We are moving quickly to automated meter reading systems. These systems not only provide a way of long-term stable meter reading costs, but provide a great deal of information that allows us to provide more reliable electric service. A second example is our data processing software. This is fully integrated so information used for billing is also used to engineer and operate the distribution of electric energy.**

**R14-2-1617.A Affiliate Transaction Rules**

**This section continues to build on the inefficiencies discussed above. Forbidding the sharing of office space, equipment, personnel, etc. is in direct conflict with what we understood was the goal of open retail competition, increased costs savings.**

**We also feel the restrictions placed on the use of our name and logo is the taking of assets of our Cooperative. We have built a strong relationship with our Customer/Members over a 50 plus year period and our name and logo is a tie to those efforts. We feel we have a right to those assets as we move to a competitive environment. Taking these away would be like not allowing Coke to associate its name with its new products. We can understand why outside marketing entities want to see this restriction as part of the rules, but if we are to have any chance of competing, we need these assets. We feel our competition is going to have significant advantages in "deep pockets" that will allow them to spend substantial sums on advertising and even undercut the market in the short run.**

**We also believe that Customers want to know the ownership of the companies in the marketplace.**

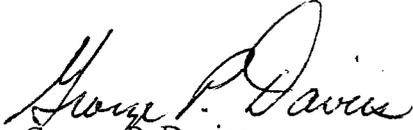
We fully support separation of costs and examination of our records to assure compliance. However, Attorneys representing Trico and the other Electric Cooperatives have requested that either the Cooperatives be exempted from these particular sections or that these sections be removed from the present rules and be given more consideration before 2001.

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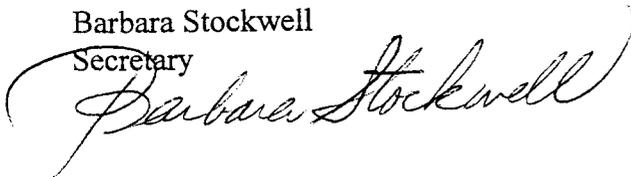
Thank you for the opportunity to provide input and for your consideration.

Sincerely,

TRICO ELECTRIC COOPERATIVE, INC.

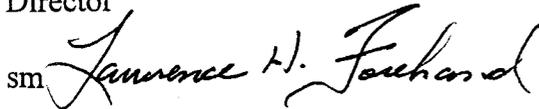
  
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c: Ray Williamson, Acting Director Utilities Division