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BEFORE THE ARIZONA CORPORATION COMMISSION

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JIM IRVIN
Commissioner-Chairman
RENZ D. JENNINGS
Commissioner
CARL J. KUNASEK
Commissioner

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IN THE MATTER OF THE COMPETITION IN)
THE PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA.)

DOCKET NO. RE-00000C-94-165

NOTICE OF FILING

Staff of the Arizona Corporation Commission hereby files the Economic, Small Business, and Consumer Impact Statement regarding the proposed permanent amendments to A.A.C. R14-2-203, -204, -208 through -211, R14-2-1601, and -1603 through -1618, in the above-captioned matter.

RESPECTFULLY SUBMITTED this 20th day of August, 1998.

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Original and ten copies of the foregoing filed this 20th day of August, 1998 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

AUG 20 1998

A copy of the foregoing was mailed this 20th day of August, 1998 to:

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All parties on the service list for Docket No. RE-00000C-94-165

By Mary Ippolito

**Amendments to Retail Electric Competition Rules
Economic, Small Business and Consumer Impact Statement**

A. Economic, small business and consumer impact summary.

1. Proposed rulemaking.

The proposed permanent rule amendments (R14-2-203, -204, -208 through -211, R14-2-1601, -1603 through -1618) provide for procedures and schedules for the implementation of the transition to competition in the provision of retail electric service.

2. Brief summary of the economic impact statement.

End users of competitive electricity services may benefit sooner from greater choices of service options and rates because full competition will occur sooner under the proposed permanent rule amendments than under the current permanent rule. Some smaller consumers would not participate in the competitive market as quickly as originally proposed.

Requirements for consumer information disclosure and unbundled bills will provide information that consumers can use to make informed choices regarding the selection of electric service providers. This will reduce the costs of searching for information. Consumers would also benefit from protections in the proposed permanent rule amendments regarding "slamming", notification of outages, and metering standards.

Business consumers who aggregate their loads from multiple sites will incur fewer costs associated with regulatory requirements because these customers (defined as self-aggregators) would not have to apply for a Certificate of Convenience and Necessity under the proposed permanent rule amendments.

Affected utilities and electric service providers may incur additional costs resulting from additional reporting, billing, and consumer disclosure requirements and from negotiating service acquisition agreements. Affected utilities may also incur additional costs associated with preparing and filing residential phase-in program proposals, compliance plans, reports, and audits and in separating monopoly and competitive services and maintaining the separation.

Separating utility monopoly and competitive services mitigates the potential for anti-competitive cross-subsidization that could harm consumers of monopoly services.

Manufacturers of solar electric generation equipment may benefit from increased sales, encouraged by changes to the solar portfolio standard regarding economic development. Manufacturing companies locating or expanding in Arizona may hire additional employees. Suppliers to the manufacturing companies may also benefit and

hire additional employees. Tax revenues may increase from both the manufacturers and their suppliers in Arizona.

Public entities may benefit from implementation of the Solar Electric Fund through their use of the fund to purchase solar electric generators or solar electricity.

Probable costs to the Commission include costs associated with new tasks, such as reviewing service acquisition agreements, reviewing utility filings of residential phase-in program proposals and quarterly reports, reviewing utility filings of reports detailing possible mechanisms to provide benefits to standard offer customers, establishing a Solar Electric Fund, developing standards for solar generating equipment, reviewing protocols regarding must-run generating units, reviewing reports of "slamming" violations, approving requirements regarding metering and meter reading, reviewing utility filings of compliance plans, reviewing utility performance audits, and developing the format of a consumer information label.

Adoption of the proposed permanent rule amendments would allow the Commission to more effectively implement the restructuring of the retail electric market.

3. Name and address of agency employees to contact regarding this statement.

Ray Williamson, Acting Director, Utilities Division or Paul Bullis, Chief Counsel at the Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007.

B. Economic, small business and consumer impact statement.

1. Proposed rulemaking.

The proposed permanent rule amendments (R14-2-203, -204, -208 through -211, R14-2-1601, -1603 through -1618) provide for procedures and schedules for the implementation of the transition to competition in the provision of retail electric service.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.

- a. potential electric service providers
- b. the public at large who are consumers of electric service
- c. electric utilities
- d. investors in investor-owned utilities and independent power producers
- e. holders of bonds of cooperative utilities
- f. state government agencies, including the Arizona Corporation Commission and the Residential Utility Consumer Office
- g. Federal Energy Regulatory Commission
- h. manufacturers of solar power generation equipment
- i. employees of utilities and potential electric service providers

- j. billing and collection service providers
- k. independent power producers

3. Cost-benefit analysis.

- a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.**

Probable costs to the Commission include costs associated with new tasks, such as reviewing service acquisition agreements, reviewing utility filings of residential phase-in program proposals and quarterly reports, reviewing utility filings of reports detailing possible mechanisms to provide benefits to standard offer customers, establishing a Solar Electric Fund, developing standards for solar generating equipment, reviewing protocols regarding must-run generating units, reviewing reports of "slamming" violations, approving requirements regarding metering and meter reading, reviewing utility filings of compliance plans, reviewing utility performance audits, and developing the format of a consumer information label.

- b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.**

As an end user of competitive electricity services, a political subdivision may benefit sooner from greater choices of service options and rates because full competition will occur sooner under the proposed permanent rule amendments than under the current permanent rule. Some of the smaller political subdivisions would not participate in the competitive market as quickly as originally proposed because their peak loads are too small to qualify for the phase-in period.

Public entities may benefit from implementation of the Solar Electric Fund through their use of the fund to purchase solar electric generators or solar electricity.

- c. Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditure of employers who are subject to the proposed rulemaking.**

As an end user of competitive electricity services, a business may benefit sooner from greater choices of service options and rates because full competition will occur sooner under the proposed permanent rule amendments than under the current permanent rule. Some of the smaller businesses would not participate in the competitive market as quickly as originally proposed because their loads are too small to qualify for the phase-in period.

Businesses who aggregate their loads from multiple sites will incur fewer costs associated with regulatory requirements because these customers (defined as self-aggregators) would not have to apply for a Certificate of Convenience and Necessity under the proposed permanent rule amendments.

Affected utilities and electric service providers may incur additional costs resulting from additional reporting, billing, and consumer information disclosure requirements. Affected utilities may also incur additional costs associated with separating monopoly and competitive services and maintaining the separation.

Manufacturers of solar electric generation equipment may benefit from increased sales, encouraged by changes to the solar portfolio standard regarding economic development. Manufacturing companies locating or expanding in Arizona may hire additional employees. Suppliers to the manufacturing companies may also benefit.

4. Probable impact on private and public employment in businesses, agencies and political subdivisions of this state directly affected by the proposed rulemaking.

Manufacturers of solar electric generation equipment locating or expanding in Arizona may hire additional employees. Suppliers to the manufacturing companies may also hire additional employees.

Affected utilities may need to hire additional employees to effect and maintain the required separation of monopoly and competitive services.

The impact on public employment would likely be minimal.

5. Probable impact of the proposed rulemaking on small businesses.

a. Identification of the small businesses subject to the proposed rulemaking.

Businesses subject to the proposed permanent rule amendments are electric utilities, potential electric service providers, manufacturers of solar power generation equipment, independent power producers, and business consumers. Some of these businesses are small, but some are also large regional, national, or international firms.

b. Administrative and other costs required for compliance with the proposed rulemaking.

Administrative costs to electric service providers would include the costs of negotiating service acquisition agreements and preparing consumer disclosure information. Administrative costs to affected utilities would include the costs of

negotiating service acquisition agreements and preparing and filing residential phase-in program proposals, compliance plans, reports, and audits. Affected utilities may also incur additional costs associated with separating and maintaining the separation of monopoly and competitive services.

c. A description of the methods that the agency may use to reduce the impact on small businesses.

Requirements for consumer information disclosure and unbundled bills will provide information that small business consumers can use to make informed choices regarding the selection of electric service providers. This will reduce the costs of searching for information. The Commission may also undertake educational activities to further lower the costs of participating in the competitive market.

In regard to reducing the impact on potential electric service providers that are small businesses, the Commission could reduce the application requirements for obtaining a Certificate of Convenience and Necessity or consumer information disclosure requirements. However, the outcome of this alternative may be undesirable if an electric service provider does not have the technical or financial capability of providing reliable energy services or if the industry becomes more prone to companies that engage in fraudulent activities. The Commission and consumers would have less information about businesses that supply electric service.

d. Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.

Requirements for consumer information disclosure and unbundled bills will provide information that consumers can use to make informed choices regarding the selection of electric service providers. This will reduce the costs of searching for information.

Consumers would benefit from protections in the proposed permanent rule amendments regarding "slamming", notification of outages, and metering standards.

Consumers may benefit sooner from greater choices of service options and rates because full competition will occur sooner under the proposed permanent rule amendments than under the current permanent rule. Some consumers would not participate in the competitive market as quickly as originally proposed.

6. Probable effect on state revenues.

Tax revenues may increase from manufacturers of solar electric generation equipment locating or expanding in Arizona and from their suppliers in Arizona.

7. Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.

The Commission is unaware of any less intrusive or less costly methods that exist for achieving the purpose of the proposed permanent rule amendments.

8. If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.

Because adequate data are not available, the probable impacts are explained in qualitative terms.

Commission-initiated working groups on reliability, billing and collection, metering, low income issues, and customer education have provided input on revising the retail electric competition rules. Stakeholders have been given opportunities to provide written and oral comments on drafts of proposed rules changes. Public comment meetings have been held in Phoenix, Tucson, and Flagstaff. Commission Staff reviewed experiences with retail electric competition in other states, such as California, Massachusetts, and Pennsylvania. Information gathered from all of these sources was used to produce the proposed permanent rule amendments.