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Arizona Corporation Commission  
**DOCKETED**

OCT 2 1998

October 2, 1998

DOCKETED BY 

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

RE: Docket RE-00000 C-94-0165

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AZ CORP COMMISSION  
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Dear Mr. Williamson:

Pursuant to Arizona Corporation Commission's Procedural Order (August 11, 1998), all interested parties were to file responsive comments on or before 4:00 P.M. on October 2, 1998. Enclosed is Arizona Public Service Company's comments. Copies of this filing have been mailed to all parties of record in Docket RE-00000 C-94-0165.

If you have any questions, please contact me at 250-2031.

Sincerely,

Barbara A. Klemstine  
Manager  
Regulatory Affairs

BAK/JKD/pb

Enclosure

cc: Parties of Record RE-00000 C-94-0165

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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AZ CORP COMMISSION

OCT 2 3 41 PM '98

JIM IRVIN  
COMMISSIONER-CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

DOCUMENT CONTROL

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

DOCKET NO. RE-00000C-94-0165

**REPLY COMMENTS OF ARIZONA PUBLIC SERVICE COMPANY**

Pursuant to the Procedural Order dated August 11, 1998, Arizona Public Service Company ("APS" or "Company") hereby submits its Reply Comments on the emergency electric competition rules ("Emergency Rules") approved by the Arizona Corporation Commission ("Commission") on August 10, 1998. APS will specifically reply to the comments submitted by Arizona Community Action Association ("ACAA"), the Residential Utility Consumers Office ("RUCO"), Arizona Electric Competition Coalition ("AECC"), and CellNet Data Systems, Inc. ("CellNet").

**RUCO AND ACAA**

RUCO and, to a lesser extent, ACAA seek to have the Commission impose mandatory rate reductions on Affected Utilities as some sort of "compensation" for those customers who will not receive competitive access until 2001.<sup>1</sup> Aside from the apparent lack of concern on the part of RUCO over the due process rights of Affected Utilities, this proposal assumes that residential

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<sup>1</sup> As a practical matter, even those customers eligible for access but choosing not to leave the Company's Standard Offer would also receive rate decreases.

1 customers would actually benefit in the short run by being granted access in 1999 - an assumption  
2 that is wholly unsupported in fact or logic. Also, as noted in the Company's September 15, 1998  
3 filing with the Commission, Standard Offer customers will enjoy certain benefits over those in the  
4 competitive market that may well more than compensate for the uncertain price advantages of the  
5 latter. Perhaps more importantly, such suggestions ignore the many increased costs imposed on  
6 Standard Offer service by the Emergency Rules - a factor cited and discussed in the Company's  
7 September 15th submittal to the Commission.

8 RUCO has also proposed certain changes to Article 2, Chapter 2, of the Commission's  
9 Emergency Rules ("Article 2"). The Company will address these proposed changes in the context  
10 of the Commission's Billing Subcommittee rather than in formal written comments at this time.

11

12

AECC

13 AECC continues to harp on the issue of mandatory "buy-through" under Rule 1604 (G) - a  
14 position rejected over and over by the Commission. With open access available for all customers  
15 by 2001 and the allowance of self-aggregation under the Emergency Rules, APS is at a complete  
16 loss to understand why this is an issue except as a subtle attempt to allow by-pass of the System  
17 Benefits charge and any CTC.

18 APS does not quite understand AECC's comment on Rule 1604 (B). The confusion lies in  
19 AECC's use of the term "single premise customers." To the extent AECC is arguing for the  
20 ability of entities having multiple premises (e.g., a chain of grocery stores) to aggregate all of their  
21 single premise 40 kW loads, that is already allowed by the rules. If AECC is really arguing for a  
22 reduction in the 40 kW threshold by allowing aggregation of smaller loads into 40 kW blocks,  
23 APS is opposed for the administrative and operational reasons set forth in its earlier comments.

24 On the other hand, AECC's position on special contract customers is simply a crass  
25 attempt by a handful such customers to "butt into line" ahead of other customers prior to 2001.  
26 These special contract customers have enjoyed preferential rates for years. Some renewed their

1 agreements even after knowing of the Commission's "phase-in" schedule. If they are now unable  
2 to negotiate extensions of their existing agreements, at worst they would be charged the same  
3 Standard Offer tariffs that all other customers will be served under during the short period of time  
4 before 2001. Any phase-in plan necessarily allows some customers access before others.  
5 However, special contract customers hardly present a compelling case for the preferential  
6 treatment requested by AECC.

7 APS is also confused by AECC's last comment on Rule 1604 (C). Standard Offer is, by  
8 definition, a "bundled" service and does not have a separate "distribution" charge on the  
9 customer's bill. Even if some portion of the bundled charge were arbitrarily assigned to  
10 "distribution," it would not change the fact that any reduction to a bundled rate should be reflected  
11 as a decrease in the entire package of services included in Standard Offer.<sup>2</sup>

### 12 CELLNET

13 CellNet's first comment [on Rule 1601 (10)] would effectively eliminate self-aggregation.  
14 APS is opposed to this needless restriction on those larger customers that wish to deal directly  
15 with the Company for the delivery of power already acquired by these customers.  
16

17 CellNet's second comment proposes no changes to Rule 1601 (16), and thus needs no  
18 response. However, APS acknowledges that the Commission has an important role in the  
19 development of standard ESP Service Acquisition Agreements.

20 APS agrees with CellNet's proposed change to Rule 1601 (22). This appears to have been  
21 a typo.

22 APS also agrees that subsection J is the portion of Rule 1613 to which the definition in  
23 Rule 1601 (29) refers. There does not appear to be any particular confusion here, but APS will  
24 leave it to the Commission as to whether this change in the definition is warranted. However, APS

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26 <sup>2</sup> In point of fact, any possible decreases in Standard Offer service in the near term would likely be due to  
decreases in the unit cost of generation rather than distribution.

1 opposes certain of the proposed changes by CellNet to Rule 1613 itself, as is discussed below in  
2 more detail.

3 APS does not believe that it is the definition of "Unbundled Service" in Rule 1601 (43)  
4 that is in conflict with Rule 1616 (B), but the other sentences of Rule 1616 (B) itself and also Rule  
5 1606 (D), as is later acknowledged by CellNet. No change is needed to this definition.

6 APS opposes adding a definition of "Universal Meter Identifier" to the Emergency Rules.  
7 Such a definition, although discussed, was not a consensus recommendation of the Commission's  
8 Metering Subcommittee. Moreover, not all Affected Utilities have the present technical ability to  
9 implement a UMI.

10 CellNet's proposed change to Rule 1604 (B) is simply a request to increase the 20%  
11 amount. In every permutation of the Emergency Rules, as well as the original rules, the first phase  
12 was limited to 20%, and any portion reserved for residential customers was part of that 20%. All  
13 the Affected Utilities have prepared on that basis, and a bare month or so before 1999 (which is  
14 when the final version of the Emergency Rules will likely be approved) is hardly an appropriate  
15 time to start fiddling with this number.

16 CellNet's comment on Rule 1606 (D) does nothing to resolve the circularity problem of  
17 that provision and Rule 1616 (B). If Affected Utilities are not to be permitted to provide metering,  
18 meter reading, billing, and/or information services, these services should be deleted from Rule  
19 1606 (D) - period. If Affected Utilities are to be permitted to provide these services, as incumbent  
20 electric utilities are in every other jurisdiction in the country, then the Commission should adopt  
21 the changes to Rule 1616 (B) suggested in the Company's Comments of September 18th.

22 APS agrees with CellNet's comment on Rule 1606 (H). Rule 1612 (E) adequately covers  
23 this issue.

24 APS also agrees in principle with CellNet's comment on Rule 1612 (E). However, this  
25 same restriction, i.e., marginal cost as a floor on competitive pricing, has been in place for several  
26 years in the case of competitive telecommunications services and has not presented any particular

1 problem to either incumbents or new entrants.

2 CellNet's comments on Rule 1613 (J) (1), (4) and (5) all concern the use of EDI. Although  
3 APS itself will be using such a format, its universal adoption by all Affected Utilities may not be  
4 cost-effective, especially in the early years. If the Commission believes imposing such uniformity  
5 is necessary, it should not require EDI any sooner than 2001 and should allow for waiver in  
6 individual cases.

7 APS takes no position on CellNet's proposed change to Rule 1613 (J) (6). The Company  
8 would note that this change would require more customers, all things being equal, to use special  
9 metering equipment than would otherwise be the case under the present language in the Rule.

10 APS and CellNet obviously disagree on how to resolve the differences between Rule 1613  
11 and Rule 1616. CellNet wishes to further restrict competition while APS supports allowing  
12 incumbent providers of metering services to continue to participate in this market.

13 APS has previously presented its position on Rule 1616 (B). Excluding Affected Utilities  
14 from providing non-generation related competitive services is unprecedented and likely  
15 counterproductive to the introduction of electric generation competition.<sup>3</sup> It also puts additional  
16 upward pressure on Standard Offer service by eliminating known economies of scale and scope in  
17 the provision of such services.

18 CellNet also has suggested Article 2 changes. As in the case of RUCO, the Company will  
19 respond to these proposals at the Billing Subcommittee meeting of October 2, 1998.

## 20 21 CONCLUSION

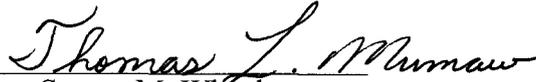
22 APS again reiterates its Comments of September 18, 1998 in this Docket, as well as those  
23 of July 8 and 22, 1998. Herein, it has tried to both reemphasize some of those thoughts and  
24 respond to the suggestions of certain other parties. APS looks forward to the scheduled public

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26 <sup>3</sup> It is significant to note that not a single MSP or MRSP has applied to the Commission for a CC&N - not even CellNet.

1 hearing in Phoenix of October 7, 1998, and reserves the right to supplement or amend its Reply  
2 Comments at that time.

3 RESPECTFULLY SUBMITTED this 2nd day of October, 1998.

4 SNELL & WILMER L.L.P.

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7 Steven M. Wheeler  
8 Thomas L. Mumaw

9 Attorneys for Arizona Public Service  
10 Company

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**CERTIFICATE OF SERVICE**

The original and ten (10) copies of the foregoing document were filed with the Arizona Corporation Commission on this 2nd day of October, 1998, and service was completed by mailing or hand-delivering a copy of the foregoing document this 2nd day of October, 1998, to all parties of record herein.

\_\_\_\_\_  
James K. Dinger

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