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AZ CORP COMMISSION
RESOURCE MANAGEMENT INTERNATIONAL, INC.

January 20, 1999

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DOCUMENT Arizona Corporation Commission

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Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85003

Subject: IN THE MATTER OF COMPETITION IN THE PROVISION OF
ELECTRICAL SERVICES THROUGHOUT THE STATE OF ARIZONA.
DOCKET NO. RE-00000C-94-0165

DOCKETED BY *sd*

Ladies and Gentlemen:

On January 6, 1999, the Arizona Corporation Commission issued a Procedural Order in this Docket requesting that all interested parties file comments on resolution of outstanding issues in electric industry restructuring. Attached are the comments of the Land and Water Fund (LAW Fund).

Sincerely,

David Berry
Executive Consultant

**Comments of the Land and Water Fund
In Response to Arizona Corporation Commission
Procedural Order Dated January 6, 1999
Docket No. RE-00000C-94-0165**

On January 6, 1999, the Hearing Division of the Arizona Corporation Commission issued a Procedural Order requesting all interested parties to file comments (and provide copies to all interested parties) by 4:00 p.m. January 20, 1999 on the following:

- What issues still need to be resolved in electric industry restructuring
- The order in which the issues should be resolved
- The method and timing to resolve the issues identified, and
- Any agreements, disagreements, or clarifications to the January 4, 1999 joint proposal of RUCO and the Attorney General.

The Land and Water Fund (LAW Fund) hereby provides its responses. There are two kinds of issues: those pertaining to rule changes and those pertaining to implementation of the rule.

Rule-Related Issues

The LAW Fund believes the following rule-related issues require further resolution:

- R14-2-1604: It may be desirable to forego the phase-in of competition and instead open the entire market to competition in one step.
- R14-2-1610H: The nature of and rates for must run units should be clarified.
- R14-2-1616B: The rule requires clarification in general and especially with regard to the provision of metering.

Each of these issues should be addressed through settlement discussions among the interested parties, with a hearing schedule as a back-up to encourage a timely settlement.

The LAW Fund strongly supports the solar portfolio standard (R14-2-1609) as it currently exists and opposes reconsideration of this portion of the competition rule.

Implementation Issues

The LAW Fund recognizes that the following implementation issues must be resolved in order for competition to proceed:

- R14-2-1603: The Commission should continue processing applications for Certificates of Convenience and Necessity for new market entrants.
- R14-2-1606: The Commission must proceed with review and approval of unbundled service rates.

- R14-2-1607: The Commission must proceed with review and approval of stranded cost amounts and transition charges.

The first item requires hearings as indicated in the rules. The other issues should be addressed through settlement discussions among the interested parties, with a hearing schedule as a back-up to encourage a timely settlement.

Other Matters

The LAW Fund believes that all the issues covered by the rule are intertwined and that a settlement effort should consider all major issues simultaneously. Therefore, we have not proposed that the issues be addressed in any particular order.

The LAW Fund supports the approach laid out by the Attorney General and the Residential Utility Consumer Office.

Finally, the settlement agreement between Staff and Tucson Electric Power Company included a Transco. The LAW Fund believes that any action or policy regarding the formation of a Transco should be undertaken comprehensively -- with a full analysis of the associated governance, pricing, operational, and other policy issues -- and not be implemented partially in the context of a stranded cost and unbundling proceeding.