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BEFORE THE ARIZONA CORPORATION COMMISSIONED  
AZ CORP COMMISSION

JIM IRVIN  
COMMISSIONER-CHAIRMAN  
TONY WEST  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

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IN THE MATTER OF THE COMPETITION IN DOCKET NO. RE-00000C-94-0165  
THE PROVISION OF ELECTRIC SERVICES )  
THROUGHOUT THE STATE OF ARIZONA )

COMMENTS OF THE ARIZONA TRANSMISSION  
DEPENDENT UTILITY GROUP ON REMAINING  
ISSUES

By Procedural Order of January 5, 1999, the Arizona Corporation  
Commission requested that all parties to this docket file comments by 4:00  
p.m. on January 20, 1999 addressing the following subjects:

- A) The issues that remain unresolved in the electric industry restructuring;
- B) The order in which the issues should be resolved;
- C) The method and timing for resolving these issues; and
- D) Specific comments regarding the proposed procedural schedule filed by the Attorney General and RUCO on January 4, 1999.

A. UNRESOLVED ISSUES.

The following list assumes that the amendments to the Electric  
Competition Rules finalized by Commission Decision No. 61311 will be  
activated by later Commission order lifting the waiver of compliance as to  
the Affected Utilities.

1. Stranded costs. This is the overriding economic issue and the  
overriding issue for the Affected Utilities. Without resolving it,  
compromise on other issues is unlikely. It is clear that the Affected  
Utilities do not like the procedure that is in the current Rules and do not  
want to go through lengthy hearings proving stranded costs and mitigation

1 activities. Their general response is to find ways to stall completion of  
2 this process, a tactic that has been very effective. The Commission should  
3 address this issue by considering a formula for calculating stranded cost  
4 numbers with an automatic percentage deduction to represent the Affected  
5 Utilities' mitigation responsibilities as a matter of policy. The Commission  
6 should also provide an alternative one-time exit fee in lieu of a wires  
7 charge for any customer electing that course of action. Setting a subtracted  
8 amount automatically as a matter of policy would leave only one factual  
9 issue, the determination of the initial number, which could be done by a  
10 hearing process similar to that suggested by the Attorney General and RUCO  
11 through the spring. It is the only way to hold the Affected Utilities' feet  
12 to the fire and have any hope of bringing this process to a conclusion this  
13 year. In determining the number, the Commission could also address what  
14 percentage each class of consumer seeking access to competition would pay.  
15 Any divestiture or asset swap would be handled as a separate proceeding.  
16 Divestiture results through an auction process would be allowed as a  
17 substitute for application of the formula. The result would be either a  
18 positive or negative CTC.

17 2. CC&N's. The second way to bring pressure on the Affected Utilities  
18 to bring closure to this process is to continue to issue CC&N's to new  
19 entrants and to issue them as final orders modifying the CC&N's of the  
20 Affected Utilities, as the Commission has done with PG&E Energy Services,  
21 Inc. By doing so, the Commission can grant new entrants access to the  
22 portions of the Arizona market not covered by the waiver in Decision No.  
23 61311. A monopoly as to customers would be a thing of the past. The  
24 Affected Utilities would still be protected from immediate impact because the  
25 waiver has the effect of not requiring them to allow new entrants on their  
wires until that waiver is lifted. The waiver also means that issuance of

1 the CC&N's also would not be an event of "taking" under the Affected  
2 Utilities' theory; they could wait to test that theory in court when the  
3 waiver is lifted as part of their challenge to the rules generally, assuming  
4 they are unhappy with the real money issue, stranded costs, and will want to  
5 spend money on fighting rather than competing. Nevertheless, this would add  
6 additional pressure on the Affected Utilities to conclude this process. It  
7 would also provide an initial test of the seriousness of the new entrants  
8 concerning competition in Arizona.

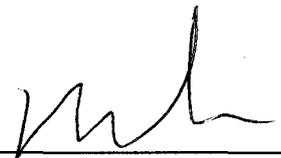
8 3. Unbundled tariffs. Paralleling or trailing shortly behind the  
9 stranded cost procedure should be a procedure designed to approve unbundled  
10 tariffs so as to coincide with the Commission's final decision on stranded  
11 costs. This would remove most of the legal and political barriers to  
12 initiating competition in Arizona.

13 4. Timetable. It is important that the Commission establish a drop  
14 dead date by which it will act if the process initiated does not produce a  
15 negotiated settlement on these issues. Without this action-forcing  
16 mechanism, new things will come up that further stall the process. Not all  
17 the issues that can be put on anyone's list can be addressed in this fashion,  
18 nor should they be. This will be an ongoing effort and changes to the  
19 Competition Rules will be an annual event for at least the next decade as the  
20 Commission and the electric provider community learn by doing. The challenge  
21 is to have the courage to force the issue.

21 B-D. Order of issues, method and timetable. Our view of the order of  
22 issues is that addressed above. The method should be by hearing process as  
23 suggested by the Attorney General and RUCO with a parallel negotiating  
24 process. The timetable should be similar to that suggested by the Attorney  
25 General and RUCO with necessary adjustments ending in a final action by the  
Commission no later than August or September.

1 RESPECTFULLY SUBMITTED this 20th day of January, 1999.

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3 ARIZONA TRANSMISSION DEPENDENT  
UTILITY GROUP

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5  
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8 Original and 10 copies of the  
9 foregoing filed this 20<sup>th</sup> day  
of January, 1999 with:

10 Docket Control  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona

14 Copies of the foregoing mailed  
15 this 20<sup>th</sup> day of January, 1999,  
16 to:

17 Service List for Docket No. RE-00000C-94-0165

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