

EXCEPTION

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ARIZONA CORPORATION COMMISSION

BEFORE THE ARIZONA CORPORATION COMMISSION

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JIM IRVIN  
Commissioner--Chairman  
Arizona Corporation Commission

TONY WEST  
Commissioner

CARL J. KUNASEK  
Commissioner

DOCKETED

FEB 17 1999

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

On February 5, 1999, the Hearing Division of the Arizona Corporation Commission ("Commission") recommended substantive amendments to certain of the Retail Electric Competition Rules ("Proposed Rules"). Pursuant to A.A.C. R14-3-110(B), Navopache Electric Cooperative, Inc. ("Navopache") and Mohave Electric Cooperative, Inc. ("Mohave") respectfully submit their exceptions and proposed rule changes:

I.

STANDARD OFFER SERVICE

The proposed definition of Standard Offer Service could leave certain electric consumers in a position where they have no electric service. Proposed R14-2-1601(34) defines Standard Offer Service to mean:

Bundled Service offered by the Affected Utility or Utility Distribution Company to all consumers in the Affected Utility's or Utility Distribution Company's service territory whose annual usage is 100,000 kWh or less at regulated rates,..."

1 Under this definition, all electric consumers with an annual  
2 usage greater than 100,000 kWh will not be eligible for Standard  
3 Offer Service from the UDC in their service territory as the  
4 Provider of Last Resort. This could potentially leave these  
5 consumers in a position where they have no electric service or  
6 very little choice of who will provide their electric service.

7 The proposed rule incorrectly assumes that all  
8 electric consumers, with an annual usage of 100,000 kWh or  
9 greater, will be able to obtain their electric supply from a  
10 competitive service provider. The rule fails to contemplate  
11 small commercial consumers (which can include loads as small as  
12 25 kW) who may not be attractive to any competitive electric  
13 service providers. If most competitive service providers seek  
14 primarily large consumers and chain stores, then small  
15 commercial establishments may have little opportunity in  
16 obtaining electric services. To the extent that these small  
17 commercial consumers are not attractive to any electric service  
18 providers, being barred from Standard Offer Service, these  
19 consumers would be left with no electric service at all!

20 Accordingly, Navopache and Mohave propose the  
21 following change to R14-2-1601(34):

22 **Proposed R14-2-1601. Definitions**

23 34. "Standard Offer Service" means Bundled Service offered by  
24 the Affected Utility or Utility Distribution Company to all  
25 consumers in the Affected Utility's or Utility Distribution  
26 Company's service territory, including metering, meter reading,  
billing, collection services, demand side management services  
including but not limited to time-of-use, and consumer

1 information services, pursuant to a request for service,  
2 provided that such service is economically feasible under the  
3 filed Standard Offer service tariff. If an existing Standard  
4 Offer service tariff is not economically applicable, the  
5 customer and UDC will develop a service contract. whose annual  
6 usage is 100,000 kWh or less at regulated rates, including  
7 metering, meter reading, billing, collection services, demand  
8 side management services including but not limited to time of  
9 use, and consumer information services. All components of  
10 Standard Offer Service shall be deemed noncompetitive as long as  
11 those components are provided in a bundled transaction pursuant  
12 to R14-2-1606(A).

13 The above rule change allows the UDC to analyze the  
14 appropriateness of Standard Offer Service for returning  
15 customers and unique new customers.

## 16 II.

### 17 SEPARATION OF MONOPOLY AND COMPETITIVE SERVICES

18 In order to conform with the Electric Distribution  
19 Cooperative exemption to the provisions of R14-2-1616 regarding  
20 Separation of Monopoly and Competitive Services, the following  
21 change to R14-2-1605 is proposed:

#### 22 Proposed R14-2-1605. Competitive Services

23 Competitive Services shall require a Competitive Certificate of  
24 Convenience and Necessity and a tariff as described in R14-2-  
25 1603, except that this requirement shall not apply to an  
26 Electric Distribution Cooperative unless the Electric  
Distribution Cooperative offers competitive electric services  
outside of the service territory it had as of the effective date  
of these rules. A properly certificated Electric Service  
Provider may offer Competitive Service under bilateral or  
multilateral contracts with retail consumers.

The above rule change recognizes the unique character  
of Rural Electric Distribution Cooperatives. The rule change  
avoids requiring Electric Distribution Cooperatives from  
incurring unnecessary expenses associated with acquiring a

1 competitive CC&N when the Electric Distribution Cooperative only  
2 intends to offer competitive electric services inside of its  
3 service territory.

4 III.

5 PURCHASE OF POWER FOR STANDARD OFFER SERVICE

6 R14-2-1606(B) requires that after January 1, 2001,  
7 power purchased by a UDC to provide Standard Offer Service must  
8 be acquired through the open market. The meaning of "open  
9 market" is not clear. For example, under this rule a UDC could  
10 purchase all of its Standard Offer Power supply on the spot  
11 market, subjecting it and its customers to possible fluctuations  
12 in price.

13 It would be better to clarify the meaning of "open  
14 market" so that the UDC must purchase power for Standard Offer  
15 Service by means of competitive procurement with prudent hedges  
16 against price fluctuations and other uncertainties.

17 Accordingly, the following changes to R14-2-1606 are  
18 proposed:

19 **Proposed R14-2-1606. Services Required To Be Made Available**

20 B. After January 1, 2001, power purchased by a Utility  
21 Distribution Company to provide Standard Offer Service shall be  
22 acquired through a competitive procurement process with prudent  
management of market risks factors the-open-market.

23 The above rule change clarifies the Commission's  
24 meaning of a UDC purchasing power on the open market to provide  
25 Standard Offer Service.  
26

1 IV.

2 BILLING REQUIREMENTS

3 Proposed R14-2-1613(O) requires bills to contain  
4 details regarding specific cost elements of utility service.  
5 However, in the event that UDCs such as Navopache and Mohave buy  
6 electric service on a bundled basis, it is impossible to provide  
7 the detail of information pertaining to Generation and  
8 Transmission Services required under R14-2-1613(O).

9 Accordingly, the following changes to R14-2-1613(O)  
10 are proposed:

11 Proposed R14-2-1613. Billing Requirements

12 O. Billing Elements. After the commencement of competition  
13 within a service territory pursuant to R14-2-1602, except in  
14 situations where wholesale power supplies including generation,  
15 transmission, and ancillary services are obtained on a bundled  
basis, all customer bills, including bills for Standard Offer,  
for customers within that service territory, will list, at a  
minimum, the following billing cost elements:

- 16 1. Electricity Costs:  
17 a. Generation,  
18 b. Competition Transition Charge,  
c. Fuel or purchase power adjustor, if applicable; and  
d. Must-Run Generation Units charge
- 19 2. Delivery costs:  
20 a. Distribution services,  
21 b. Transmission services, and  
c. Ancillary services
- 22 3. Other Costs:  
23 a. Metering Service,  
24 b. Meter Reading Service,  
25 c. Billing and collection, and  
26 d. System Benefits charge

Where wholesale power services are obtained on a bundled basis,  
customer bills shall reflect the prices of those wholesale  
bundled services as a service package.

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The above rule change would ensure that if an Electric Distribution Cooperative buys Generation and Transmission Services on a bundled basis, it can comply with R14-2-1613(O).

RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of February, 1999.

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The original and ten (10) copies of the foregoing filed this 17<sup>th</sup> day of February, 1999, with:

DOCKET CONTROL  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

and

A copy of the foregoing mailed this 17<sup>th</sup> day of February, 1999 to:

All parties of record.

Mindy Vandoo