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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner – Chairman

Arizona Corporation Commission

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CARL J. KUNASEK
Commissioner

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TONY WEST
Commissioner

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IN THE MATTER OF THE COMPETITION IN) DOCKET NO. RE00000C-94-165
 THE PROVISION OF ELECTRIC SERVICES)
 THROUGHOUT THE STATE OF ARIZONA) NOTICE OF FILING
)

City of Tucson hereby provides Notice of Filing Comments on the
 Recommendations of the Hearing Officer Regarding Electric Competition
 Rulemaking. The City expects to make additional comments at the public hearing
 before the Commission.

DATED this 17th day of February, 1999.

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1 **R14-2-1601 (34) Standard Offer Service for Customers Over 100,000 kWh**

2 Standard Offer Service is defined in R14-2-1601 (34) as bundled service at regulated
3 rates offered by an Affected Utility or Utility Distribution Company to all consumers
4 whose annual usage is 100,000 kWh or less. R14-2-1606 (A) indicates each
5 Affected Utility or Utility Distribution Company shall make available Standard Offer
6 Service and Noncompetitive Services at regulated rates when competition begins.
7 The rule further states that after January 1, 2001, Standard Offer Service shall be
8 provided by Utility Distribution Companies.

9 The customers affected by the 100,000 kWh limitation include many small
10 commercial enterprises and City premises that may not be served by competitive
11 suppliers. If competitive suppliers seek primarily large consumers and chain stores,
12 small commercial establishments and municipal facilities may not have much
13 opportunity to shop around for competitive power supplies.

14 These provisions create a situation in which municipal, commercial, and industrial
15 consumers may have no power supply service if there are no competitive providers
16 serving their particular market segment. If there is only one supplier, it can charge
17 monopoly rates without regulatory oversight.

18 The City proposes that the 100,000 kWh limitation in the definition of Standard Offer
19 be stricken so that the Standard Offer is available to all consumers.

20 **R14-2-1601 (36) Clarification of the Elimination of Self Aggregation**

21 The explanation for the change in R14-2-1601 (36) dealing with self-aggregation is
22 not sufficient for the City to understand why the change is being made. The
23 explanation refers to Staff's amendments to APS' proposed Schedule 10. Staff's
24 amendments are not available to the City. The City requests a more complete
25 explanation of the reasons for and impact of the deletion of the definition of self-
26 aggregation.

R14-2-1604 Phase-In

The City of Tucson's experience with the phase-in points up the difficulty of pursuing
a phase-in. In particular, the City desires to have its entire load served competitively,
but the phase-in rule precludes competitive service for facilities less than 40 kW,
which include many City premises. Thus, the City cannot acquire competitive energy
supplies for its entire aggregated load. The restriction on the City's ability to shop
around for its entire load is arbitrary and costly.

The rule should eliminate the phase-in and substitute a "flash cut." The phase-in was
originally intended to limit Affected Utilityies' exposure to unforeseen problems with
software, generation, transmission, accounting, record keeping, etc., if a huge
number of customers suddenly selected competitive power providers. Based on the

1 experience in California, only a limited number of customers will likely initially
2 participate in a fully competitive market, thereby obviating the need for the phase-in.

3 During the latter part of 1998, the City of Tucson was making preparations to procure
4 power for its eligible loads according to the original schedule for competition, with a
5 target date of 1/1/99. It has been the experience of this customer that the
6 requirements imposed during the phase-in period have been a source of
7 misunderstanding and possible conflict. A considerable amount of staff time had
8 been devoted to identifying which loads may become eligible, without resolution. It is
9 our concern that all customers with similar loads will face similar challenges, which
10 will simply introduce one more barrier to participation for an entire category of
11 customers.

12 The City has previously filed comments on this rule in this docket. Those comments
13 are incorporated herein

14 **R14-2-1606 (B) Purchase of Power for Standard Offer Service**

15 R14-2-1606 (B) indicates that power purchased by a Utility Distribution Company to
16 provide Standard Offer Service shall be acquired through the "open market." The
17 meaning of "open market" is not clear. Presumably the rule means a competitive
18 procurement with prudent hedges against price fluctuations and other uncertainties.
19 As the rule is now constructed, a Utility Distribution Company could purchase all of its
20 Standard Offer power supply on the spot market, subjecting it and its customers to
21 large fluctuations in price, and still be in compliance with the rule.

22 The City proposes that the sentence read: "... power purchased by a Utility
23 Distribution Company to provide Standard Offer Service shall be acquired ~~through~~
24 ~~the open market~~ through a competitive procurement with prudent management of
25 market risks, including management of price fluctuations."

26 **R14-2-1609 Solar Portfolio Standard**

The solar portfolio standard (R14-2-1609) should be retained. It may be desirable to
modify the standard to make it more practical, but the complete elimination of the
solar requirements is poor public policy. The Commission has the opportunity to
promote an environmentally friendly energy technology and many consumers would
like the opportunity to obtain solar power. The solar portfolio standard helps ensure
that solar power will be available to those who demand it. In the absence of the solar
portfolio standard, it is doubtful that competitive energy suppliers or utility distribution
companies will install sufficient solar capacity to fully serve the demand for solar
energy. The standard encourages suppliers to serve a market segment that would
otherwise not be able to buy the blends of solar and conventional energy that they
are willing to pay for.

1 **R14-2-1610 (E) Transmission and Distribution Access**

2 Strike this section.

3 In the months since the last version of the Rules, there have been indications that the
4 original concept of forward compatibility of the AISA (then ISA) was not entirely
5 realistic. If this were correct, then the implementation of a successor organization
6 such as an ISO would be more expensive than originally anticipated. Additionally, in
7 the past year the emphasis in Arizona has been geared more towards an ISO as ISA,
8 or "ISO Light", in consideration of the costs, complexities and failures experienced in
9 California and by INDEGO. The development of a more complex and expensive
10 organization should be only in response for a real need in the competitive market that
11 would drive the expansion of the mission and increase the scope of tasks executed
12 by the AISA. Bear in mind that historically, the establishment of Qualified Facilities
13 and emergence of Independent Power Producers has been a factor in legislation
14 restructuring the electrical industry. Along with legislative developments has been a
15 technological trend tending to site new generation closer to the load. Increasing
16 reliance on transmission lines may have a nebulous future. Without direct insight into
17 that future, it is advised that we allow the market to determine these needs, and
18 respond accordingly as opposed to mandating a pre-ordained response.

13 **R14-2-1612 (C) Rates**

14 Delete this paragraph. It is unclear why competitively negotiated contracts should be
15 treated differently before January 1, 2001 than after.

16 **R14-2-1612 (D) Rates**

17 Delete the first sentence.

18 **R14-2-1613 – Service Quality, Consumer Protection, Safety and Billing Requirements**

19 **R14-2-1613 (I) Return to Standard Offer Service**

20 R14-2-1613 (I) indicates that the return of a customer to Standard Offer Service
21 would be at the next billing cycle if appropriate metering equipment is in place and
22 the request is processed 15 calendar days prior to the next regular read date. The
23 limitations should be altered to comport with the DASR Handbook (dated September
24 24, 1998) and to avoid situations where a Utility Distribution Company might not want
25 to accept the customers for Standard Offer Service. The limitations may also invent
meter problems or delay processing the request, leaving the consumer unable to
return to Standard Offer service.

26 Therefore, Paragraph I should read as follows (with the strike out indicating language
that should be deleted): "Electric Service Providers shall give at least 5 days notice
to their customer ~~and to the appropriate Utility Distribution Company~~ of scheduled

1 return to Standard Offer Service, but that return of that customer to Standard Offer
2 Service would be at the next regular billing cycle, ~~if appropriate metering equipment~~
3 ~~is in place, and the request is processed 15 calendar days prior to the next regular~~
4 ~~read date.~~ Electric Service Providers shall provide 15 calendar days notice prior to
5 the next scheduled meter reading date to the appropriate Utility Distribution Company
6 regarding the intent to terminate a service agreement. Responsibility for charges
7 incurred between the notice and
8 the next scheduled read date shall rest with the Electric Service Provider.”

6 **R14-2-1613 (K) (6)**

7 The City of Tucson still requests that the 20 kW demand threshold be re-evaluated.
8 ATTACHMENT C states that the thresholds are still in place, based on an initial
9 review. For a more in depth review, we refer you to our Comments filed previously in
10 this docket and to the presentations delivered by SRP and XENERGY at the ACC
11 Metering meeting of 5/18/98.

11 **R14-2-203 Service Establishments**

12 R14-2-203 (D)(4) indicates that service establishments with an Electric Service
13 Provider will be scheduled for the next regular meter read date if the direct access
14 service request (DASR) is processed 15 calendar days prior to that date and
15 appropriate metering equipment is in place. The rule involves actions by the Electric
16 Service Provider, the Utility Distribution Company processing a DASR, and possibly a
17 metering provider. The rule should be rewritten to clearly set time limits for actions
18 by each party and to avoid incentives to delay processing DASR's or meter changes.

17 DATED this 17th day of Feb, 1999.

18 
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AN ORIGINAL AND TEN COPIES
of the foregoing City of Tucson's
Comments on the Recommendations
Of the Hearing Officer Regarding
Electric Competition Rulemaking
filed this 17th day of February, 1999, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix AZ 85007

Copies of the foregoing mailed
This 17th day of February, 1999, to:

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