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

DOCUMENT CONTROL

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

DOCKET NO. RE-00000C-94-0165

PROCEDURAL ORDER

BY THE COMMISSION:

On February 5, 1999, the Arizona Corporation Commission Hearing Division issued a recommended Order containing modifications to Decision No. 60977 (June 22, 1998) ("Stranded Cost Recommended Order"). The parties to this docket had an opportunity to file exceptions to the Stranded Cost Recommended Order by February 17, 1999. Exhibit A attached hereto sets forth the Hearing Division's Revisions to the Stranded Cost Recommended Order.

Also on February 5, 1999, the Hearing Division issued a recommended Order containing modifications to the Retail Electric Competition Rules, A.A.C. R14-2-1601 *et seq.* ("Rules Recommended Order"). By Procedural Order of February 24, 1999, the Rules Recommended Order's original Appendix A was replaced with a version that conforms to the technical and format requirements of the Arizona Secretary of State for publication in the Arizona Administrative Register. After reviewing the parties' filed exceptions to the Rules Recommended Order, the Hearing Division revised its Appendices A and C. Exhibit B attached hereto contains the specific revisions.

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Arizona Corporation Commission

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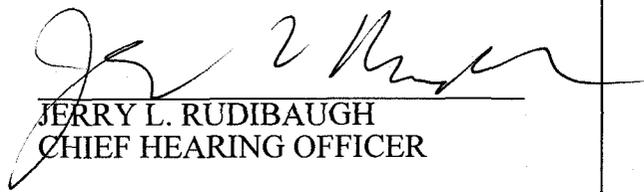
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For the convenience of all parties, prior to the Open Meeting to consider the Stranded Cost Recommended Order and Rules Recommended Order, the Hearing Division will distribute a copy of an Order that incorporates all of the attached revisions. The forthcoming revised Stranded Cost Recommended Order and Rules Recommended Order will replace the Order issued on February 5, 1999, as the final Stranded Cost Recommended Order and Rules Recommended Order.

To date, no Open Meeting has been scheduled on the Stranded Cost Recommended Order or the Rules Recommended Order.

DATED this 12th day of March, 1999.


JERRY L. RUDIBAUGH
CHIEF HEARING OFFICER

Copies of the foregoing mailed/delivered this 12th day of March, 1999 to:

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

By: Debbi Person
Debbi Person
Secretary to Jerry L. Rudibaugh

EXHIBIT A

**REVISIONS TO HEARING DIVISION'S FEBRUARY 5, 1999 RECOMMENDED
ORDER REGARDING MODIFICATIONS TO DECISION NO. 60977**

Page 2, Lines 11 through 14:

DELETE sentences beginning with "Those" and ending with "pay twice." and INSERT the following:

"The Affected Utilities will collect stranded costs from all retail electric customers through a competitive transition charge ("CTC") which is based on the amount of generation purchased from any supplier.¹"

Page 2, Line 21 ½: After the word "year" and INSERT the following:

"for those customers purchasing competitive generation service"

Page 2, Line 24: After the word "customers" INSERT ". In" and DELETE "either" through "in"

Page 3, Line 2 ½: INSERT new sentence after "respectively."

"While customers remaining on the standard offer will not receive an annual reduction in the CTC charge, all stranded cost recovery for generation related assets shall cease five years after Commission approval of an Affected Utility's stranded cost recovery implementation plan. In order to encourage Affected Utilities to voluntarily reduce standard offer rates prior to the end of the five year period, any such voluntary reduction can be used to offset the cessation of stranded cost recovery at the end of the five years."

Page 3, Line 3 ½: DELETE "an"

Page 3, Line 5 ½: DELETE "either as part of the standard offer or"

¹ Under each methodology, although the CTC will appear on the bills of customers taking competitive generation and customers on standard offer, the CTC will in no event result in double recovery of stranded costs from standard offer customers.

Page 3, Line 6: After "CTC charge" INSERT:

"whether taking standard offer or competitive service"

Page 3, Line 9:

DELETE: "all rates including those customers on standard offer rates" and

INSERT: "the CTC charge"

Page 3, Line 11 ½: After "regulatory assets" INSERT "recovery"

Page 3, Line 17: DELETE the sentence beginning with "All customers" and INSERT:

"The Affected Utilities will collect stranded costs from all retail electric customers through a CTC which is based on the amount of generation purchased from any supplier."

Page 3, Line 23 ½: After "ratios" INSERT the following:

"such as Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC") levels required by the Rural Utility Service ("RUS")."

Page 3, Line 24 ½: DELETE the sentence beginning with "All customers" and INSERT:

"The Affected Utilities will collect stranded costs from all retail electric customers through a CTC which is based on the amount of generation purchased from any supplier."

Page 3, Line 27: After "assets" INSERT:

"recovery. Any voluntary reduction used as an offset to the generation related asset stranded cost recovery cannot be utilized again as an offset to the cessation of regulatory assets recovery."

Page 4, Line 6:

DELETE: "March 19, 1999"

INSERT: "XXXXXX"

Page 4, Line 4 ½: INSERT the following:

“Option No. 5 – Alternative Methodology

An Affected Utility may file an Alternative Methodology Plan (“Plan”) but will be required to demonstrate that its proposed Plan is in the best interest of all stakeholders.”

Typographical Corrections to Appendix C – Concise Explanatory Statement

- Page 3, Line 25: INSERT “, and capitalize Competitive and Noncompetitive Services” after “Education”
- Page 4, Line 3: REPLACE “UDC” WITH “Utility Distribution Company”
- Page 5, Line 16: REPLACE “ASARCO et al.” WITH “ASARCO Incorporated, Cyprus Climax Metals Co., Enron Corp. and Arizonans for Electric Choice and Competition (“ASARCO et al.”)”
- Page 6, Line 1: REPLACE “reading” WITH “Reading”
- Page 6, Line 14: REPLACE “**Generation**” WITH “**Generating**”
- Page 6, Line 20: INSERT quotation marks around “Net Metering”
- Page 6, Line 21: INSERT “et al.” after ASARCO”
- Page 7, Line 6: INSERT “et al.” after “ASARCO”
- Page 7, Line 19: REPLACE “R14-2-1601(38)” WITH “R14-2-1601”
- Page 7, Line 22: REPLACE “R14-2-1601(38)” WITH “R14-2-1601”
- Page 12, Line 27: INSERT “and Navopache” after “Mohave”
- Page 13, Line 24: REPLACE “NEW” WITH “NWE”
- Page 14, Line 13: REPLACE “as” WITH “is”
- Page 15, Line 21: INSERT “et al.” after “ASARCO”
- Page 18, Line 2: INSERT “and Navopache” after “Mohave”
- Page 18, Line 3: INSERT “and Navopache” after “Mohave”
- Page 18, Line 10: INSERT end quote after “territory.”
- Page 19, Line 13: DELETE “(R14-2-1601(2))”
- Page 19, Line 13: REPLACE “(R14-2-1601(29))” WITH “(R14-2-1601)”
- Page 19, Line 14: REPLACE “New West Energy” WITH “NWE”
- Page 20, Line 15: DELETE “(R14-2-1601(38))”

Page 20, Line 16: REPLACE “(R14-2-1601(29))” WITH “(R14-2-1601)”

Page 20, Line 18: REPLACE “R14-2-1601(38)” WITH “R14-2-1601”

Page 20, Line 19: REPLACE “R14-2-1601(38)” WITH “R14-2-1601”

Page 21, Line 9: REPLACE “1616(A)” WITH “1606(A)”

Page 24, Line 4: DELETE “and a new R14-2-1613(P)”

Page 24, Line 7: DELETE “and a new R14-2-1613(P) has been added”

Page 24, Line 16: REPLACE “UDC’s” WITH “UDCs”

Page 24, Line 22: REPLACE “R14-2-1601(36)” WITH “R14-2-1601”

Page 25, Line 1: REPLACE “and” WITH “an”

Page 25, Line 2: INSERT “to R14-2-1606(C)(2)” after “add language”

Page 25, Line 3: DELETE “to R14-2-1606(C)(2)” after “Director”

Page 25, Line 18: REPLACE “R14-2-1601(29)” WITH “R14-2-1601”

Page 25, Line 22: REPLACE “R14-2-1601(28)” WITH “the definition of Noncompetitive Services”

Page 26, Line 3: REPLACE “R14-2-1610” WITH “the Rules’ Transmission and Distribution Access provisions”

Page 26, Line 9: INSERT before “Issue:” the heading “R14-2-1606(E)”

Page 26, Line 12: REPLACE “R14-2-1601(43)” WITH “R14-2-1601”

Page 26, Line 13: REPLACE “R14-2-1601(29)” WITH “R14-2-1601”

Page 26, Line 18: INSERT before “Issue:” the heading “R14-2-1606(F)”

Page 26, Line 23: INSERT before “Issue:” the heading “R14-2-1606(G)”

Page 27, Line 10: INSERT before “Issue:” the heading “R14-2-1606(H) & (I)”

Page 27, Line 14: DELETE “to” after “Noncompetitive Services”

Page 28, Line 19: INSERT “and Navopache” after “Mohave” in both instances

Page 28, Line 20: REPLACE “ ‘Costs. ’ WITH “ ‘Cost.’ ”

Page 29, Line 1: INSERT period after “al” and INSERT beginning quote before “Stranded”

Page 29, Line 18: REPLACE “costs” WITH “Costs”

Page 31, Line 6: REPLACE “provision” WITH “provisions” and INSERT period after “Article”

Page 31, Line 7: DELETE “be” after “should”;
REPLACE “Costs.” WITH “Cost.”

Page 31, Line 10: REPLACE “of. TEPs” WITH “of TEP’s”

Page 31, Line 28: INSERT “and Navopache” after “Mohave”

Page 32, Line 11: INSERT end quote after “customers.”

Page 32, Line 19: INSERT “and Navopache” after “Mohave”

Page 32, Line 22: INSERT “et al.” after “ASARCO”

Page 33, Line 19: DELETE extra period at end of sentence

Page 35, Line 13: REPLACE “Mohave,” WITH “Mohave and” and DELETE comma after “Navopache”

Page 36, Line 3: REPLACE “R14-2-1601(27)” WITH “R14-2-1601”

Page 36, Line 8: REPLACE “R14-2-1601(27)” WITH “R14-2-1601”

Page 36, Line 27: INSERT parentheses around “D”

Page 37, Line 4: REPLACE “utility” WITH “Utility” after “Affected”

Page 38, Line 10: INSERT close quote after “Entity’s”

Page 38, Line 13: INSERT close quote after “Entity’s”

Page 40, Line 20: REPLACE “meter reading services” WITH “Meter Reading Services”;
REPLACE “is a” WITH “are”;
REPLACE “term” WITH “terms”

Page 41, Line 15: DELETE “the” after “recommended”

Page 41, Line 25: INSERT "et al." after "ASARCO"

Page 42, Line 2: INSERT "et al." after "ASARCO"

Page 42, Line 5: REPLACE "(k)" WITH "(K)"

Page 42, Line 7: INSERT "et al." after "ASARCO"

Page 42, Line 28: INSERT "and Navopache" after "Mohave"

Page 43, Line 7: DELETE period after "(c)"

Page 43, Line 13: REPLACE "That" WITH "We believe that"

Page 43, Line 15: INSERT "our" after "Based on"

Page 43, Line 17: REPLACE "billing elements" WITH "Billing Elements"

Page 47, Line 10: REPLACE "through" WITH "throughout"

Page 47, Line 16: REPLACE "Section" WITH "section"

Page 48, Line 9: INSERT end quote after "process."

Page 49, Line 24: REPLACE "the" WITH "that" after "convinced"

Page 54, Line 17: REPLACE "company" WITH "Company"

Page 54, Line 18: DELETE comma after "billing."

Page 54, Line 19: INSERT end quote after "billing."

Page 54, Line 20: REPLACE "doe" WITH "does"

Page 55, Line 8: INSERT period after "al"

Page 55, Line 14: DELETE space between "reading" and the comma

Page 55, Line 17: INSERT "not" after "We do"

Page 55, Line 25: INSERT end quote after "basis."

Page 56, Line 3: INSERT ", because" after "210(A)(5)(c)"

Page 56, Line 7: REPLACE "deleing" WITH "deleting"

Page 56, Line 20: INSERT "the" after "Delete";

REPLACE “210(E)(1),” WITH “210(E)(1).”

Page 56, Line 26: INSERT “from” after “customers”

Page 56, Line 27: REPLACE “through” WITH “throughout”

Page 56, Line 28: INSERT “an” before “ESP”

Page 57, Line 6: REPLACE “legislature.” WITH “legislature,”

Page 57, Line 9: REPLACE “Evaluation” WITH “Evaluation”

Page 57, Line 10: REPLACE “Resolution” WITH “Resolution”

Substantive Changes to Appendix A

Page 7, R14-2-202(A)(1)(b)	DELETE " <u>maximum</u> "
Page 7, R14-2-202(B)	DELETE entire Subsection B and renumber accordingly
Page 39, R14-2-211(A)(1)(d)	REPLACE " <u>mutually agreed reasonable</u> " WITH "reasonable"
Page 56, R14-2-1601(26)(27)	INSERT " <u>local generating</u> " between "those" and "units"; DELETE " <u>as may be determined by the Federal Energy Regulatory Commission</u> "
Page 56, R14-2-1601(27)(29)	INSERT " <u>by an Affected Utility or Utility Distribution Company</u> " between "energy data" and "to Electric Service Providers."
Page 57, R14-2-1601(31)(33)	INSERT " <u>whose annual usage is 100,000 kWh or less and</u> " between "area" and "who"
Page 58, R14-2-1601(34)(38)	DELETE " <u>whose annual usage is 100,000 kWh or less</u> "
Page 58, R14-2-1601(36)(40)	INSERT " <u>, and other programs that may be approved by the Commission from time to time</u> " after "decommissioning programs"
Page 59, R14-2-1601(40)(44)	DELETE " <u>For the purposes of R14-2-1616, Utility Distribution Company also includes any affiliate of an Energy Service Provider that would be deemed a Utility Distribution Company if operating in Arizona, and subject to the Commission's jurisdiction.</u> "
Page 60, R14-2-1602(B)	INSERT " <u>or an affiliate of which it is a member</u> " between "competitive electric affiliates" and "shall not"
Page 62, R14-2-1603(G)(3)	REPLACE "Does" WITH " <u>Seeks certification as a Load-Serving Entity and does</u> Does "
Page 62, R14-2-1603(G)(6)	REPLACE "Fails" WITH " <u>Seeks certification as a Load-Serving Entity and fails</u> Fails "

REPLACE “the date indicated in R14-2-1602,”
WITH “July 1, 1999, or pursuant to Commission
Order, whichever occurs first, the date indicated in
R14-2-1602,”

INSERT “Any rate increase proposed by an
Affected Utility or Utility Distribution Company for
Standard Offer Service must be fully justified
through a rate case proceeding.” between “until
approved by the Commission.” and “~~If no such
tariffs~~”

DELETE “Standard Offer Service tariffs shall
include the billing cost elements required by R14-2-
1612(N).”;

INSERT new subsection (C)(2) after “~~the Standard
Offer.~~” and renumber accordingly:

- “2. Standard Offer Service tariffs shall include
the following elements:
- a. Electricity:
 - (1) Generation
 - (2) Competition Transition
Charge
 - (3) Must-Run Generating Units
 - b. Delivery:
 - (1) Distribution services
 - (2) Transmission services
 - (3) Ancillary services
 - c. Other:
 - (1) Metering Service
 - (2) Meter Reading Service
 - (3) Billing and collection
 - d. System Benefits

The Competition Transition Charge shall be
included in the Standard Offer Service tariffs for the
purpose of clearly showing that portion of Standard
Offer Service charges being collected to pay
Stranded Cost.”

Renumber as subsection (6) in accordance with the
previous amendment;

INSERT “, other than time-of-use rates,
interruptible rates or self-generation deferral rates”
after “accessing a competitive option”

Page 71, R14-2-1606(D)

REPLACE "March 19, 1999" WITH "July 1, 1999, or pursuant to Commission Order, whichever occurs first."

Pages 71 & 72, R14-2-1606(F)

REPLACE "The Affected Utilities and Utility Distribution Companies must provide transmission, distribution and ancillary services according to the following guidelines:

1. Services must be provided consistent with applicable tariffs filed in accordance with the Federal Energy Regulatory Commission Orders 888 and 889.
2. Unless otherwise required by federal regulation, Affected Utilities and Utility Distribution Companies must accept power and energy delivered to their transmission systems by others and offer transmission and related services comparable to services they provide to themselves."

WITH:

"Affected Utilities and Utility Distribution Companies must accept power and energy delivered to their distribution systems by other Load-Serving Entities and offer distribution and distribution-related ancillary services comparable to services they provide to themselves at their Noncompetitive Services tariffed rates. The Affected Utilities must provide transmission and ancillary services according to the following guidelines:

- ~~1. Services must be provided consistent with applicable tariffs filed with the Federal Energy Regulatory Commission.~~
- ~~2. Unless otherwise required by federal regulation, Affected Utilities must accept power and energy delivered to their transmission systems by others and offer transmission and related services comparable to services they provide to themselves."~~

Page 72, R14-2-1606(G)(4)

DELETE entire Subsection (G)(4) and renumber accordingly

Page 73, R14-2-1607(C)

INSERT "on or before July 1, 1999, or pursuant to Commission Order, whichever occurs first" after "estimates of unmitigated Stranded Cost"

Page 74, R14-2-1607(F)

INSERT "retail" between "on all" and customers";

DELETE "continuing to use the distribution system"

Page 75, R14-2-1607(G)

INSERT "In no event shall the Competition Transition Charge be utilized as a mechanism for double recovery of Stranded Cost from Standard Offer Service customers." after "customer classes under current rates."

Page 75, R14-2-1608(A)

REPLACE "low income, consumer education, demand side management, ~~market transformation~~, environmental, renewables, long-term public benefit research and development, ~~and~~ nuclear fuel disposal and nuclear power plant decommissioning programs and other programs that may be approved by the Commission in effect from time to time."

WITH "System Benefits, ~~low income, demand side management, market transformation, nvironmental, renewables, long term public benefit research and development, and nuclear fuel disposal and nuclear power plant decommissioning programs in effect from time to time.~~"

Page 76, R14-2-1609R14-2-1610(A)

DELETE "in accordance with FERC Orders 888 and 889"

Page 79, R14-2-1609R14-2-1610(I)(H)

INSERT ", when appropriate, approval, prior to being" between "to the Commission for review and" and "filed with the Federal Energy Regulatory Commission";

Page 80

INSERT "Fixed Must-Run Generating Units costs are to be recovered through a regulated charge to end-use customers. This charge must be set by the Commission as part of the end-use customer distribution service charges." between "tariff filing," and ", if necessary,"

Page 86, R14-2-1611R14-2-1612(A)

DELETE "shall be presumed";

- REPLACE “~~shall be deemed~~” WITH “shall be deemed”
- Page 90, R14-2-1612~~R14-2-1613~~(K)(6) DELETE “such as streetlights”
- Page 91, R14-2-1612~~R14-2-1613~~(K)(13) REPLACE “The operating procedures approved by the Director, Utilities Division will” WITH “By May 1, 1999, the Director, Utilities Division shall approve operating procedures to~~The operating procedures approved by the Director, Utilities Division will~~”
- Page 91, R14-2-1612~~R14-2-1613~~(K)(14) REPLACE “The operating procedures ~~rules~~ approved by the Director, Utilities Division will” WITH “By May 1, 1999, the Director, Utilities Division shall approve operating procedures to~~The rules approved by the Director, Utilities Division will~~”
- Page 91, R14-2-1612~~R14-2-1613~~(K)(15) REPLACE “The performance metering specifications and standards approved by the Director, Utilities Division will” WITH “By May 1, 1999, the Director, Utilities Division shall approve performance metering specifications and standards~~The performance metering specifications and standards approved by the Director, Utilities Division will~~”
- Page 92, R14-2-1612(N)(Θ)(1)(b) REPLACE “~~and~~” WITH “and”
- Page 92, R14-2-1612(N)(Θ)(1)(c) DELETE “, and”
- Page 92, R14-2-1612(N)(Θ)(1)(d) DELETE “d. Must-Run Generation Units charge”
- Page 93, R14-2-1612(N)(Θ)(2)(a) INSERT “and” after “Distribution services,”
- Page 93, R14-2-1612(N)(Θ)(2)(b) REPLACE “, and” WITH “, and”
- Page 93, R14-2-1612(N)(Θ)(2)(c) REPLACE “c. Ancillary services” WITH “e. Ancillary services”
- Page 96, R14-2-1615~~R14-2-1616~~(B) REPLACE “After Beginning” WITH “Beginning”;
- INSERT new subsections (B)(1) and (B)(2) after “as defined in R14-2-1601.” as follows:
“1. This Section does not preclude an Affected Utility or Utility Distribution Company from billing

its own customers for distribution service, or from providing billing services to Electric Service Providers in conjunction with its own billing, or from providing meters for Load Profiled residential customers. Nor does this Section preclude an Affected Utility or Utility Distribution Company from providing billing and collections, Metering and Meter Reading Service as part of the Standard Offer Service tariff to Standard Offer Service customers.

2. This Section does not preclude an Affected Utility or Utility Distribution Company from owning distribution and transmission primary voltage Current Transformers and Potential Transformers.”

Page 97, ~~R14-2-1616~~R14-2-1617(A)

DELETE “For the purposes of this Section, Utility Distribution Company also includes any affiliate of an Electric Service Provider that would be deemed a Utility Distribution Company if operating in Arizona and subject to the Commission’s jurisdiction.”

Page 99, ~~R14-2-1616~~R14-2-1617(A)(6)

REPLACE “This rule applies to ~~Boards~~ Board of Directors and corporate officers. However, any board member or corporate officer of a holding company may also serve in the same capacity with the ~~Affected Utility or~~ Utility Distribution Company, or its competitive electric affiliate, but not both.” WITH “Provided that adequate procedures are in effect to prevent the transfer of information in violation of these Rules, Directors or Officers of a holding company may serve as Directors or Officers of an affiliated subsidiary, but not as either a Director or Officer of both the Utility Distribution Company and a competitive electric affiliate. This rule applies to Board of Directors and corporate officers. However, any board member or corporate officer of a holding company may also serve in the same capacity with the Utility Distribution Company, or its affiliate, but not both.”

Page 100, ~~R14-2-1616~~R14-2-1617(A)(8)

REPLACE “, and shall not be provided access to confidential utility information.” WITH “, and shall not be provided access to confidential utility information except as provided in R14-2-1616(B).”

Page 104, <u>R14-2-1617</u> R14-2-1618 (A)(B)	REPLACE “ <u>Electric Service Provider providing generation services</u> Load-Serving Entity ” WITH “Load-Serving Entity”
Page 104, <u>R14-2-1617</u> R14-2-1618 (A)	DELETE “(to the extent reasonably known) for residential customers”
Page 104, <u>R14-2-1617</u> R14-2-1618 (A)(4)	DELETE this subsection and renumber accordingly
Page 104, <u>R14-2-1617</u> R14-2-1618 (A)(5)	DELETE this subsection and renumber accordingly
Page 104, <u>R14-2-1617</u> R14-2-1618 (A)(6)	DELETE this subsection and renumber accordingly
Page 104, <u>R14-2-1617</u> R14-2-1618	<p>INSERT new subsection (B) after “reported information applies” as follows, and renumber accordingly:</p> <p><u>“B. Each Load-Serving Entity shall provide, upon request, the following information (to the extent reasonably known):</u></p> <ol style="list-style-type: none"> 1. Composition of resource portfolio, 2. Fuel mix characteristics of the resource portfolio, 3. Emissions characteristics of the resource portfolio.
Page 105, <u>R14-2-1617</u> R14-2-1618 (B)(C)	<p>Renumber as subsection (C) in accordance with the prior amendment;</p> <p>REPLACE “<u>Electric Service Providers</u>Load-Serving Entities.” WITH “Load-Serving Entities.”; REPLACE “<u>Electric Service Provider</u>Load-Serving Entity.” WITH “Load-Serving Entity.”</p>
Page 105, <u>R14-2-1617</u> R14-2-1618 (C)(D)	<p>Renumber as subsection (D) in accordance with prior amendment;</p> <p>REPLACE “<u>Electric Service Provider</u>Load-Serving Entity” WITH “Load-Serving Entity” in both instances in which it appears in this Subsection;</p> <p>REPLACE “<u>an Electric Service Provider</u>a Load-Serving Entity” WITH “a Load-Serving Entity”</p>
Page 105, <u>R14-2-1617</u> R14-2-1618 (D)(E)	Renumber as subsection (E) in accordance with prior amendment;

REPLACE "Electric Service Provider-Load Serving Entity" WITH "Load-Serving Entity" in both instances in which it appears in this subsection

Page 105, R14-2-1617~~R14-2-1618~~(E)(F)

Renumber as subsection (F) in accordance with prior amendment;

REPLACE "Electric Service Provider-Load Serving Entity" WITH "Load-Serving Entity"

Page 106, R14-2-1617~~R14-2-1618~~(E)(G)(5)

Renumber as subsection (G) in accordance with prior amendment;

REPLACE "Electric Service Provider-Load Serving Entities." WITH "Load-Serving Entities."

Page 106, R14-2-1617~~R14-2-1618~~(H)(I)

Renumber as subsection (I) in accordance with prior amendment;

REPLACE "may" WITH "shall~~may~~"

Substantive Changes to Appendix C - Concise Explanatory Statement

Page 3, R14-2-1601(6)¹

INSERT, at end of text under "Issue:": "In its exceptions, the Arizona Transmission Dependent Utility Group ("ATDUG") commented that deleting "from the customers of competitive services" would result in Standard Offer Service Customers subsidizing customers taking Competitive Services."

INSERT, at end of text under "Evaluation:": "Clarification of the rules to specifically provide that Standard Offer Service customers will not be paying the CTC twice is necessary. However, the definition is clear as it is. The Rules should be amended in the Sections concerning Stranded Cost and Standard Offer Service tariffs to clarify that the CTC appearing on Standard Offer Service customer bills will not result in double payment of Stranded Cost by those customers."

INSERT, at end of text under "Resolution:": "Add language to R14-2-1606(C) and R14-2-1607(G) to clarify that the CTC appearing on Standard Offer Service customer bills will not result in Standard Offer customers paying for Stranded Cost both in Standard Offer Service charges and in the separate CTC."

Page 6, R14-2-1601(27)

INSERT, at end of text under "Issue:": "In exceptions, Staff suggested inserting "local generating" between "those" and "units" for clarification. Staff also opposed, as did ASARCO et al. and ATDUG in their exceptions, the inclusion of the phrase 'as may be determined by the Federal Energy Regulatory Commission' within this definition."

REPLACE, under "Evaluation:": "We concur." with "We agree with Staff that clarification as to the location of Must-Run Generating Units is necessary. We also agree with Staff, ASARCO et al., and ATDUG that the phrase 'as may be determined by the Federal Energy Regulatory

¹ This and all following Rule number references appearing in the left margin are to the Rule numbers as they appear in the Concise Explanatory Statement, and not necessarily to the Rules as they were re-numbered after the proposed changes.

Commission' is not appropriate within this definition."

REPLACE all text under "Resolution:" with "Insert 'local generating' between 'those' and 'units'."

Page 7, R14-2-1601(29)

INSERT the following new paragraph at end of text under "Issue:": "In its exceptions, APS argued that because competitive Electric Service Providers will be providing customer demand and energy data to other Electric Service Providers, provision of this information will not be a 'Noncompetitive Service'."

INSERT, under "Evaluation:" between "found elsewhere throughout the rules." and "The second sentence": "This definition should also clarify that providing customer demand and energy data to Electric Service Providers is a Noncompetitive Service when provided by an Affected Utility or Utility Distribution Company."

INSERT under "Resolution:" between "found elsewhere in the rules," and "and move second sentence": "insert 'by a Utility Distribution Company' between 'energy data' and 'to Electric Service Providers,'."

Page 7, R14-2-1601(33)

INSERT, before "**1601(36)**":
"1601(33) – Provider of Last Resort

Issue: AEPCO, in its exceptions, recommended that the definition of 'Provider of Last Resort' be modified in order to clarify the limitation on the UDCs' obligation to serve as Provider of Last Resort.

Evaluation: It is important that the Rules conform to State legislation regarding the kWh limitation on the UDCs' obligation to serve as Provider of Last Resort. We agree with AEPCO's recommendation in its exceptions that such limiting language should be added to the definition of 'Provider of Last Resort.'

Resolution: "Insert 'whose annual usage is 100,000 kWh or less and' between 'area' and 'who'"

Page 8, R14-2-1601(38)

REPLACE all text between “1601(38) – Standard Offer Service” and “1601(39) – Stranded Cost” with the following:

“Issue: The definition of Standard Offer Service requires expansion to conform with clarifying amendments elsewhere in the Rules.

Evaluation: This definition should clarify that Standard Offer Service includes demand side management services, including but not limited to time-of-use. The second sentence of the definition of Noncompetitive Services more properly belongs with this definition and should be moved here.

Resolution: Delete the comma after ‘billing’; Insert ‘and’ between ‘billing’ and ‘collection services’; Insert ‘, demand side management services including but not limited to time-of-use,’ after ‘collection services’; Delete ‘other’ before ‘consumer information services’; Insert ‘All components of Standard Offer Service shall be deemed noncompetitive as long as those components are provided in a bundled transaction pursuant to R14-2-1606(A).’”

Page10, R14-2-1601(40)

INSERT at the end of text under “Issue”: “In its exceptions, Calpine pointed out that the defined term “System Benefits” should replace definitional language in R14-2-1608(A).”

INSERT at end of text under “Evaluation”: “Calpine’s observation regarding use of the defined term ‘System Benefits’ in R14-2-1608(A) is well taken. The definitional language from R14-2-1608(A) should appear in the definition of ‘System Benefits’ rather than in R14-2-1608(A).”

INSERT at end of text under “Resolution”: “Modify the definition of ‘System Benefits’ in R14-2-1601 to include terms appearing in R14-2-1608(A). Replace definitional language appearing in R14-2-1608(A) with the defined term ‘System Benefits.’”

Page 12, R14-2-1602

INSERT before “R14-2-1603”

Issue: In its exceptions, NEV suggested adding language to the newly proposed section 1602(B) that would prohibit a generation cooperative from competing until the service territory of its member cooperative is open to competition.

Evaluation: We agree that this section should be clarified to include generation affiliates of the electric cooperatives.

Resolution: Insert ‘or an affiliate of which it is a member’ after ‘electric affiliates’ ”

Page 14, R14-2-1603(G)

INSERT before “1603(I)”

Issue: In its exceptions to the proposed Rules, PHASER Advanced Metering Services (“PHASER”) recommended modifying this subsection to clarify that not all certified ESPs require a Service Acquisition Agreement. PHASER argued that Meter Service Providers and Meter Reading Service Providers who do not provide load service to consumers do not need a Service Acquisition Agreement.

Evaluation: We agree that section 1603(G) should be clarified.

Resolution: Modify sections 1603(G)(3) and (6), to limit these provisions to ESPs seeking certification as Load-Serving Entities.”

Page 21, R14-2-1606(A)

DELETE, under “Evaluation:”: sentence beginning “However, maintaining”;

REPLACE, under “Evaluation:” “Standard Offer Service” with “Provider of Last Resort”;

REPLACE all text under “Resolution:” with the following: “Modify the definition of ‘Provider of Last Resort’ in R14-2-1601 to provide a limitation on the requirement of Utility Distribution Companies to serve as the Provider of Last Resort.

No change to R14-2-1606(A) is necessary to establish this limitation.”

Page 23, R14-2-1606(C)

INSERT, at end of text under “Issue:” the following new paragraph: “In its exceptions, Staff noted that the date indicated in R14-2-1602 was deleted in the proposed amendments, and suggested that the date in R14-2-1606(C)(1) be changed to be consistent with the date contained in R14-2-1606(D). Staff also suggested in its exceptions that language be added to R14-2-1606(C)(1) requiring a rate case proceeding to justify any proposed rate change in Affected Utilities’ initial Standard Offer Service Tariff filings.”

Page 24

REPLACE, under “Evaluation:”: “The suggested” with “RUCO’s suggested”

REPLACE, under “Evaluation:” the sentence beginning with “Comporting changes” with the following: “A new R14-2-1606(C)(2) should be added to provide the elements which should be included in the required Standard Offer Service tariffs. A more concrete filing date should also be provided. We concur with Staff that the rate case proceeding language is necessary, especially in light of our deletion of the language from 1606(C)(2) concerning the Commission’s expectations in regard to Standard Offer Service rates.”

REPLACE all text under “Resolution:” with the following: “Replace ‘the date indicated in R14-2-1602,’ with ‘July 1, 1999, or pursuant to Commission Order, whichever occurs first,’; insert ‘Any rate increase proposed by an Affected Utility or Utility Distribution Company for Standard Offer Service must be fully justified through a rate case proceeding’ between ‘until approved by the Commission.’ and ‘~~If no such tariffs~~’; and add the following new R14-2-1606(C)(2) and renumber accordingly:

‘2. Standard Offer Service tariffs shall include the following elements:

a. Electricity:

(1) Generation

(2) Competition Transition Charge

- (3) Must-Run Generating Units
- b. Delivery:
 - (1) Distribution services
 - (2) Transmission services
 - (3) Ancillary services
- c. Other:
 - (1) Metering Service
 - (2) Meter Reading Service
 - (3) Billing and collection
- d. System Benefits

The Competition Transition Charge shall be included in the Standard Offer Service tariffs for the purpose of clearly showing that portion of Standard Offer Service charges being collected to pay Stranded Cost.”

Page 24, R14-2-1606(C)

INSERT, at end of text under second “Evaluation:” on the page: “We agree with the specific language Staff recommended in its exceptions to clarify the rates that UDCs may continue to offer.”

INSERT, after “option” under second “Resolution:” on the page: “, and to specify that UDCs may offer time-of-use rates, interruptible rates or self-generation deferral rates.”

Page 25, R14-2-1606(D)

INSERT, after “(R14-2-1606(D))”:
 “Issue: The date provided in this provision is inconsistent with our amendment to R14-2-1606(C)(1).”

“Evaluation: The date provided in R14-2-1606(D) should be consistent with the date provided in R14-2-1606(C)(1).”

“Resolution: Replace ‘the date indicated in R14-2-1602’ with ‘July 1, 1999, or pursuant to Commission Order, whichever occurs first,’”

Page 26, R14-2-1606(F)

INSERT, at end of text under “Issue:”: “Staff, in its exceptions, noted that 1606(F) is ambiguous.”

REPLACE all text under “Evaluation:” with the following: “We agree with APS that as currently written, 1606(F) identifies distribution services only in the prefatory language and does not provide any

guidance relating to the provision of distribution services. We also agree that the Commission need not require by rule what is already mandated by FERC regarding provision of services according to FERC tariffs and FERC Orders. However, 1606(F) should clarify how Affected Utilities and Utility Distribution Companies will provide access to their distribution systems.”

Page 26, R14-2-1606(G)

DELETE the entire last sentence under “Evaluation.”;

Page 27

REPLACE all text under “Resolution.” with the following: “No change is necessary.”

Page 28, R14-2-1607(C)

INSERT at end of evaluation discussion after “as written”, except that it should provide a time frame for filing estimates of Stranded Cost”

DELETE Resolution discussion and REPLACE with “Insert ‘on or before July 1, 1999, or pursuant to Commission Order, whichever occurs first’ after ‘estimates of Stranded Cost’.”

Page 30, R14-2-1607(F)

INSERT at end of paragraph commencing “RUCO proposed”: “Because this suggested language would create a loophole that might allow large users who receive electric service at transmission-level voltage to escape the CTC, RUCO revised its recommendation in its filed exceptions to provide that the CTC may be assessed “on all retail customers based on the amount of generation purchased from any supplier.”

Page 31, R14-2-1607(F)

INSERT the following new paragraph before Evaluation discussion: “In its exceptions to the proposed Rules, ATDUG argued it was “unconscionable to collect Stranded Cost from all users because those remaining on Standard Offer, who already pay full costs, would be subsidizing those who choose another Electric Service Provider.”;

In Evaluation discussion, INSERT after first sentence: “This does not mean that Standard Offer Service customers should pay twice. Under the proposed Rule revisions, Standard Offer Service

tariffs and customer bills will include a CTC component to clearly show how much of the generation charge is attributable to Stranded Cost.”;

INSERT in Evaluation discussion after “We believe RUCO’s proposed language”: “, as set forth in its exceptions to the proposed Rules.”;

In Resolution discussion, INSERT “retail” after “assessed on all”. DELETE “continuing to use the distribution system”. INSERT at end of Resolution discussion “We will also modify section 1607(G) by adding the following new sentence: ‘In no event shall the Competition Transition Charge be utilized as a mechanism for double recovery of Stranded Cost from Standard Offer Service customers.’”

Page 31, R14-2-1607(G)

INSERT new sentence at end of the Resolution discussion: “Modify section 1607(G) as discussed previously to clarify that Standard Offer Service customers shall not be charged twice for the recovery of Stranded Cost.”

Page 33, R14-2-1608

In the Evaluation discussion INSERT “and” after “should be deleted;” and INSERT a period after “every three years”. DELETE remainder of discussion and REPLACE with “We addressed the programs that should comprise System Benefits in the definitions of section 1601. We do not agree that System Benefits should include non-nuclear power plant decommissioning.”

In the Resolution discussion, DELETE second sentence and REPLACE it with “To avoid ambiguity and the possibility of conflicting definitions we eliminate the reiteration of individual programs comprising System Benefits and replace it with the defined term ‘System Benefits’.”

Page 36, R14-2-1610(H)

INSERT new issue before “**R14-2-1611**”:

“Issue: Staff recommended, in its exceptions, that language be added to this subsection clarifying the Commission’s right to approve the pricing features of the Must-Run Generating Units protocol, when such approval is appropriate. Staff also recommended that clarifying

language be included in this subsection to require that fixed Must-Run Generating Units costs be recovered through a charge to end-use customers in the appropriate load zone.

Evaluation: We concur with Staff.

Resolution: Modify this subsection accordingly.

Page 40, R14-2-1613(K)

In second Resolution discussion, INSERT after “at the end of subsection (K)(6)”: “however, in response to Staff’s exceptions to the proposed Rules, we will not include the phrase ‘such as streetlights’.”

Page 42, R14-2-1613(K)

INSERT new issue before “1613(L)”:

Issue: Citizens recommended that the Director of the Utilities Division be required to issue operating procedures and performance specifications and standards by a date certain. Citizens suggested April 1, 1999.

Evaluation: We concur with Citizens that the entities providing metering services should have access to the operating procedures and specifications sooner rather than later.

Resolution: Modify subsections (K)(13), (14) and (15) to require the Director of the Utilities Division to issue operating procedures and specifications and standards by May 1, 1999.”

Page 43, R14-2-1613(O)

INSERT in the last paragraph of the Issue discussion after “and deleting”: “(O)(1)(d) Must-Run Generation Units charge and”. In the second sentence, REPLACE “ancillary services” with “these charges are” and REPLACE “section (O)(2)” with “generation and transmission costs.”

In Evaluation discussion, REPLACE second sentence with “However, we concur with RUCO that for billing purposes, including separate charges for Must-Run Generation Units and Ancillary services will probably not assist consumers and may be confusing.”

In Resolution discussion, DELETE last sentence and REPLACE with "Delete subsection (O)(2)(c)."

Page 45, R14-2-1616

INSERT, at end of text under "Evaluation": "In its exceptions, Staff offered language which clarifies important portions of this subsection."

INSERT, at end of text under "Resolution": "Insert Staff's recommended language from its exceptions as new subsections (B)(1) and (2)."

Page 48, R14-2-1617(A)(6)

REPLACE second and third sentences in Evaluation discussion with "We also concur with TEP's argument that holding companies should be able to monitor and direct their subsidiaries through representation on their boards and as officers. We will modify this subsection to permit officers and directors of a holding company to serve as either officers or directors of a subsidiary, but not as either an officer or director of both the Utility Distribution Company and its competitive electric affiliate."

Page 49

REPLACE last sentence in Resolution discussion with "Replace second and third sentences of this subsection with 'Provided that adequate procedures are in effect to prevent the transfer of information in violation of these Rules, Directors or Officers of a holding company may serve as Directors or Officers of an affiliated subsidiary, but not as either a Director or Officer of both the Utility Distribution Company and a competitive electric affiliate.'"

Page 49, R14-2-1617(A)

INSERT in Issue discussion at end of the paragraph that commences "APS proposed deleting subsection (A)(7)(b)": "Staff argued that the words APS sought to delete from subsection (A)(8) should remain because section subsection (B) does not address confidential information that does not 'concern customers'."

In Evaluation discussion DELETE "initial" after "Based on our". DELETE "TEP's proposal" after "review of" and REPLACE with "the comments". REPLACE the last two sentences of the paragraph with "However, for clarification, we will add 'except as provided in R14-2-1616(B) after 'access to confidential utility information'."

In Resolution discussion, DELETE the entire sentence and REPLACE with “Modify subsection (A)(8) accordingly.”

Page 53, R14-2-1618

In Evaluation discussion, DELETE third sentence and REPLACE with “In reviewing Staff’s exceptions to the proposed Rules, we agree that this section should apply to Load-Serving Entities. We believe that the information provided in subsection (B) will be helpful to consumers making choices among ESPs and between competitive service and Standard Offer Service. However, we are mindful that providers of generation services may not always know the characteristics of the resource portfolio. Consequently, we will modify this section to provide that Load-Serving Entities shall prepare a consumer information label containing the information currently contained in subsections (B)(1), (2), (3) and (7). This information shall be made available according to the provisions of subsection (G). We will insert a new subsection that requires Load-Serving entities to provide upon request (to the extent reasonably known) the information concerning the resource portfolio that is currently set forth in subsections (B)(4),(5) and (6).”

In Resolution discussion, INSERT a period after “delete R14-2-1618(A)”. DELETE the remainder of the first sentence and the entire second sentence and REPLACE with “Modify R14-2-1618(B) as discussed above.”. INSERT the sentence “Change ‘may’ to ‘shall’ in R14-2-1618(I).” after “in R14-2-1618(F)(10).”

Page 54, R14-2-202

In Issue discussion, INSERT “In its exceptions, Staff argued that this section does not apply to competitive services and thus, the word ‘maximum’ is not appropriate.”

In Evaluation discussion DELETE “Sempra that the proposed language is consistent with section 1603” and REPLACE with “Staff”.

DELETE Resolution discussion and REPLACE with “No change is required.”

Page 54, R14-2-202

INSERT new issue before "**R14-2-203(B)**":

Issue: APS recommended deleting all of section 202(B) because a recent change in A.R.S. § 40-360.02 removed the requirement for filing information regarding generation plants.

Evaluation: We concur with APS.

Resolution: Delete section 202(B) and renumber accordingly."

Page 56, R14-2-211

In Issue discussion INSERT second sentence: "In its exceptions, Staff argued that 'reasonable' should remain because the term 'mutually agreed' would disadvantage consumers."

In Evaluation discussion, DELETE "APS" and replace with "Staff" after "We concur with".

Page 57

DELETE entire Resolution discussion and REPLACE with "No change is required."