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Proposed Amendment No. 2

AZ CORP COMMISSION

Offered by Commissioner West

Docket No. RE-00000C-94-0165

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Agenda Item No. 2

Open Meeting Date: April 14, 1999

DOCUMENT CONTROL

R14-2-1616. Code of Conduct

A. Each Affected Utility, along with any of its competitive affiliates, shall file, in accordance with the timetable set forth in Section E below, a proposed code of conduct for Commission review and approval which shall incorporate provisions designed to prevent anticompetitive activities that could result from the provision to retail electric customers of both Competitive Services and Noncompetitive Services by an Affected Utility and any of its competitive affiliates. The code of conduct shall be subject to Commission Approval, or modification, effective on an interim basis pending Commission review, and shall include the following provisions:

1. Cost Allocation;
2. Non-Discrimination; and
3. Marketing, Sales, and Customer Service Activities.

B. Cost Allocation.

Competitive Services offered by an Affected Utility and any of its competitive electric affiliates shall not be subsidized by any rate or charge for Noncompetitive Services. In order to prevent such cross-subsidization between services, the Affected Utilities and any of its competitive affiliates shall consistently, comprehensively and fairly allocate costs between the provision of Distribution Service, Transmission Service, Bundled Service, Unbundled Service, billing and collection services, Metering and Metering Service, and any other services provided by the Affected Utility and any of its competitive affiliates. Such cost allocation shall utilize methodologies generally accepted in the utility industry, or

approved by the Commission. The costs to be allocated shall include, without limitation:

1. Employee salaries and benefits;
2. Costs associated with physical facilities, such as buildings;
3. Costs associated with office equipment and supplies;
4. Cost of computer equipment, programs, and systems;
5. Costs of providing supervisory and executive management;
6. Administrative and General Expenses and other general corporate overheads;
7. Depreciation on physical assets; and
8. Purchased materials and services.

C. Non-Discrimination.

An Affected Utility shall provide Distribution Service and Transmission Service within its service territory without regard for a customer's choice of Electric Service Provider for any Competitive Service.

1. Without regard for the commercial origin or ownership of the energy carried by its Distribution Service system, an Affected Utility shall:
 - a. Plan, engineer, construct and maintain its Distribution Service system based on sound engineering principles;
 - b. Maintain its Distribution Service system pursuant to sound utility operating principles;
 - c. Install new Distribution Service connections; and
 - d. Perform emergency restoration of electric service pursuant to sound utility operating principles.
2. Affected Utility personnel engaged in the functions of Distribution Service system engineering, construction, maintenance, operation, and service restoration shall have access to the identity of Distribution Service

customers' choice of Electric Service Providers only to the extent reasonably required for the performance of those separate functions.

3. Affected Utilities shall apply the same service standards and procedures for Metering and Metering Services, billing and collection services, credit requirements, deposit requirements, contributions in aid of construction, special facilities charges, service termination, and the processing and resolution of customer complaints to all Distribution Service customers regardless of the customer's choice of Electric Service Provider for any Competitive Service. Affected Utilities may, however, establish different, non-discriminatory complaint procedures for handling different types of complaints.

D. Marketing, Sales, and Customer Service Activities.

Distribution Service customers contacting an Affected Utility to request information regarding choice of Electric Service Providers should be provided with sufficient information to allow them to understand which services are provided only by the Affected Utility, and which are available from either the Affected Utility or other Electric Service Providers. Upon request, an Affected Utility shall provide Distribution Service customers with a current Commission-provided list of Electric Service Providers.

1. Employees of Affected Utilities providing customer service for Noncompetitive Services shall not:
 - a. Direct Distribution Service customers to representatives of the Affected Utility or any of its competitive affiliates who are engaged in selling Competitive Services;
 - b. Provide evaluations of, or recommendations on, suppliers of Competitive Services, including the Affected Utility or any of its competitive affiliates who are engaged in selling Competitive Services.

2. Affected Utilities shall maintain organizational separation between the sales of Noncompetitive Services and Competitive Services. Employees of an Affected Utility and of any of its competitive electric affiliates who are engaged in the sale or provision of Competitive Services shall not have access, electronic or otherwise, to the work stations of Affected Utility employees engaged in the provision of Noncompetitive Services.
3. Without specific customer consent, an Affected Utility shall not provide proprietary customer information which the Affected Utility acquires in the course of providing Noncompetitive Services to the Affected Utility's Competitive Services sales organization, to any of the Affected Utility's competitive electric affiliates, or to any other Electric Service Providers. For the purposes of this Section, proprietary customer information includes information on customer usage and account information, requests for new or additional service, customer complaints, and trouble or service restoration information.
4. Information which is provided by an Affected Utility to other Electric Service Providers may be provided to the Affected Utility's Competitive Services sales organization and to any of the Affected Utility's competitive electric affiliates on the same terms.
5. If requested by the customer involved, Affected Utility employees engaged in the provision of Noncompetitive Services may conduct joint sales calls, on the same terms, with any provider of Competitive Services
6. An Affected Utility and any of its competitive electric affiliates shall include a statement in any advertisements for Competitive Services explaining that the Affected Utility will not discriminate in the provision of Distribution Service and Transmission Service based on the customer's choice of Electric Service Provider.

7. An Affected Utility and any of its competitive electric affiliates shall not state or infer in any advertisement for a service that is also available from others that the Affected Utility or its competitive electric affiliate is the sole supplier of that service or that purchase of that service from the Affected Utility or its competitive electric affiliate will result in any preference in the provision of Noncompetitive Services.
- E. Each Affected Utility shall file a proposed code of conduct with the Commission no later than ninety days following the adoption of these Rules.
- Each Affected Utility shall, no later than 120 days following adoption of these Rules:
1. Achieve an implementation date for the code of conduct.
 2. Complete the organizational, procedural, and computer system changes necessary to implement the code of conduct.
 3. Provide educational and training to all Affected Utility employees to instruct them on their obligations under the code of conduct, and shall devise and implement a continuing program of education and training to insure that employees understand and perform their obligations under the code of conduct.
 4. Devise and implement a program to monitor, on a continuing basis, employee compliance with the code of conduct, and institute additional procedures or training as necessary to monitor and insure proper compliance.
 5. Beginning one year following adoption of these Rules, each Affected Utility shall be subject to an independent audit at the direction of the Utilities Division Director to ensure compliance with the process and procedures established in the code of conduct filed pursuant to this Section. The

results of the annual audit shall be filed with the Director, Utilities Division
for approval.

~~**R14-2-1616. Separation of Monopoly and Competitive Services**~~

~~**R14-2-1617. Affiliate Transactions**~~