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**BEFORE THE ARIZONA CORPORATION COMMISSION**

AZ CORP COMMISSION

Arizona Corporation Commission

JIM IRVIN  
Commissioner-Chairman  
TONY WEST  
Commissioner  
CARL J. KUNASEK  
Commissioner

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**DOCKETED**

MAY 14 1999

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IN THE MATTER OF THE COMPETITION IN )  
THE PROVISION OF ELECTRIC SERVICES )  
THROUGHOUT THE STATE OF ARIZONA. }

DOCKET NO. RE-00000C-94-0165

**STAFF'S COMMENTS REGARDING PROPOSED RULES**

Staff hereby files its comments regarding the proposed rules adopted by the Commission on April 14, 1999. Staff's comments in this matter attempt to ensure that key terms are appropriately defined, that the rules are internally consistent, and that typographical and other minor errors are corrected. Staff supports adoption of the proposed rules with the changes described in these comments.

**R14-2-1601. Definitions**

Although the proposed rules have added the term "public power entity" to proposed R14-2-1610, the rules fail to include a definition for that term. A.R.S. § 30-801.16 provides a specific definition for "public power entity": "any municipal corporation, city, town or other political subdivision . . . that generates, transmits, distributes or otherwise provides electricity and that is not a public service corporation." The statute goes on to exclude electrical districts, irrigation and water conservation districts, multi-county water conservation districts, and certain cities or towns from the definition for "public power entity." Staff believes that it is reasonable to include a definition for this term and further believes that the definition should parallel that set forth by the legislature in A.R.S. § 30-801.16.

Staff Recommendation

Add new R14-2-1601.32: "Public Power Entity" incorporates by reference the definition set forth in A.R.S. § 30-801.16.

Re-number to conform.

1 **R14-2-1601. Definitions**

2 Although the proposed rules contain several references to the term “ancillary  
3 services,” see R14-2-1601.3, -1601.27, -1601.39, -1606.C, -1609.H, -1612.F, they do not include  
4 a definition for that term. Staff believes that an appropriate definition will be helpful.

5 Staff Recommendation

6 Add new R14-2-1601.3: “Ancillary Services” means those services designated as  
7 ancillary services in Federal Energy Regulatory Commission Order 888, including the services  
8 necessary to support the transmission of electricity from resource to load while maintaining  
9 reliable operation of the transmission system in accordance with good utility practice.

10 Renumber to conform.

11 **R14-2-1601. Definitions**

12 “Economic Development Tariffs” is a term that has been recommended for  
13 insertion in R14-2-1606.C.6. As a new term in the rules, it should be defined.

14 Staff Recommendation

15 Add new R14-2-1601.13:

16 “Economic Development Tariffs” are those discounted tariffs used to attract new  
17 businesses to Arizona or encourage business expansions in Arizona, which can be  
18 shown to significantly mitigate stranded costs.

19 Renumber to conform.  
20

21 **R14-2-1603.G.3 and -1603.G.6. Certificates of Convenience and**  
22 **Necessity**

23 These two provisions appear to be duplicates: they both address service  
24 acquisition agreements with utility distribution companies and with scheduling coordinators.  
25 Staff believes that these sections can be clarified by addressing each type of agreement in a  
26 separate section. Furthermore, because Utilities Division approval is recommended only for  
27 service acquisition agreements with utility distribution companies, separate provisions for each  
28 agreement will clarify this distinction.

1                    Staff Recommendation

2                    Delete R14-2-1603.G.3 and replace with:

- 3                    3.        Seeks certification as a Load-Serving Entity and fails to submit an  
4                    executed Electric Service Provider Service Acquisition Agreement with a  
5                    Scheduling Coordinator, if the applicant is not its own Scheduling  
6                    Coordinator prior to offering service to potential customers;

7                    Delete R14-2-1603.G.6 and replace with:

- 8                    6.        Seeks certification as a Load-Serving Entity and fails to submit an  
9                    executed Electric Service Provider Service Acquisition Agreement with a  
10                   Utility Distribution Company for approval by the Director, Utilities  
11                   Division prior to offering service to potential customers.

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

13                    A.A.C. R14-2-1606.C.2 sets forth the specific elements to be separately listed in  
14        standard offer tariffs:

- 15                    a.        Electricity:  
16                                    (1)    Generation  
17                                    (2)    Competition Transition Charge  
18                                    (3)    Must-Run Generating Units  
19                    b.        Delivery:  
20                                    (1)    Distribution services  
21                                    (2)    Transmission services  
22                                    (3)    Ancillary services  
23                    c.        Other:  
24                                    (1)    Metering Service  
25                                    (2)    Meter Reading Service  
26                                    (3)    Billing and collection  
27                    d.        System Benefits

28                    This rule is not consistent with R14-2-1612.N, which identifies billing elements.  
The differences between these two sections may cause confusion to customers who wish to  
compare the approved Standard Offer Service tariff to actual bills. Furthermore, Staff believes

1 that the tariff should show that there are two identifiable aspects of ancillary services, variable  
2 costs and fixed costs.

3 Staff Recommendation

4 Amend R14-2-1606.C.2 as follows:

- 5 a. Electricity:
- 6 (1) Generation including ancillary services (variable costs)
- 7 (2) Competition Transition Charge
- 8 (3) Must-Run Generating Units
- 9 b. Delivery:
- 10 (1) Distribution services
- 11 (2) Transmission services
- 12 (3) Ancillary services (fixed costs)
- 13 c. Other:
- 14 (1) Metering Service
- 15 (2) Meter Reading Service
- 16 (3) Billing and collection
- 17 d. System Benefits

15 **R14-2-1606.C.6. Services Required To Be Made Available**

16 Proposed R14-2-1606C.6 provides the date, January 2, 2001, that Standard Offer  
17 Service may no longer include any special discounts or contracts with terms, or any tariff which  
18 prevents the customer from accessing a competitive option, other than time-of-use rates,  
19 interruptible rates, or self-generation deferral rates. This date is not consistent with other dates  
20 contained in the proposed rules, which begin either the first or last day of the month.

21 In addition, this rule would preclude the use of economic development tariffs that  
22 could be used to mitigate stranded costs. By allowing the use of economic development tariffs,  
23 stranded costs can be mitigated, thereby reducing CTC charges, which would, in turn, encourage  
24 more competition.

25 Staff Recommendation

26 Amend R14-2-1606.C.6 as follows:

27 C. Standard Offer Tariffs

- 28 6. After January 1 ~~2~~, 2001, tariffs for Standard Offer Service shall

1 not include any special discounts or contracts with terms, or any  
2 tariff which prevents the customer from accessing a competitive  
3 option, other than time-of-use rates, interruptible rates, economic  
4 development tariffs that clearly mitigate stranded costs, or self-  
5 generation deferral rates.

6 **R14-2-1609.B. Transmission and Distribution Access**

7 Proposed R14-2-1609.B requires utility distribution companies to maintain  
8 adequate transmission import capability in order to meet the load requirements of all customers  
9 within their service areas. Staff believes that the word "import" should be deleted, thereby  
10 requiring utility distribution companies to plan for and maintain adequate capacity not only for  
11 system imports but also for export, and local operation.

12 Staff Recommendation

13 Amend R14-2-1609.B as follows: Utility Distribution Companies shall retain the  
14 obligation to assure that adequate transmission capability is available to meet the load  
15 requirements of all distribution customers within their service areas.

16 **R14-2-1609.D.5. Transmission and Distribution Access**

17 This rule identifies the Arizona Independent Scheduling Administrator as  
18 responsible for implementing a transmission planning process to address the future load  
19 requirements of all market participants. It is not accurate to singularly identify the task of  
20 transmission planning as the sole responsibility of the Arizona Independent Scheduling  
21 Administrator.

22 Staff Recommendation

23 Amend R14-2-1609.D.5 as follows:

- 24 5. The Arizona Independent Scheduling Administrator shall  
25 encourage and assist in the development of a statewide  
26 implement transmission planning process that includes all  
27 Arizona Independent Scheduling Administrator participants  
28 and aids in identifying the timing and key characteristics of

1 required reinforcements to Arizona transmission facilities  
2 to assure that the future load requirements of all  
3 participants will be met.

4 **R14-2-1609.H. Transmission and Distribution Access**

5 Proposed R14-2-1609.H states that the Commission will support Scheduling  
6 Coordinators and their activities to provide aggregation of customers' schedules to the  
7 Independent Scheduling Administrator and the respective Control Area Operators  
8 simultaneously until the implementation of a regional Independent System Operator, at which  
9 time the schedules will be submitted to the Independent System Operator. The current language  
10 of the rule does not precisely indicate that a Scheduling Coordinator will continue to be  
11 necessary and will submit schedules directly to the Independent System Operator once the  
12 regional Independent System Operator is functioning.

13 Staff Recommendation

14 Amend R14-2-1609.H as follows:

15 H. The Commission supports the use of "Scheduling Coordinators" to  
16 provide aggregation of customers' schedules to the Independent  
17 Scheduling Administrator and the respective Control Area Operators  
18 simultaneously until the implementation of a regional Independent  
19 System Operator, at which time the Scheduling Coordinators will submit  
20 schedules ~~will be submitted~~ to the Independent System Operator.

21 **R14-2-1612.I. Service Quality, Consumer Protection, Safety, and Billing**  
22 **Requirements**

23 Proposed R14-2-1612.I requires electric service providers to give five days notice  
24 to a customer and a UDC before a scheduled return to standard offer service. The rule is unclear  
25 as to the basis of the service change.

26 Staff Recommendation

27 Amend R14-1-1612.I as follows:  
28

1 I. Prior to termination of service to a customer for any reason, an Electric  
2 Service Provider Providers shall give at least 5 days notice to ~~their~~ the  
3 customer. The Electric Service Provider shall also give at least 5 days  
4 notice and to the appropriate Utility Distribution Company of scheduled  
5 return to Standard Offer Service, ~~but that~~ The return of that customer to  
6 Standard Offer Service would be at the next regular billing cycle if  
7 appropriate metering equipment is in place, and the request is processed  
8 15 calendar days prior to the next regular read date. Responsibility for  
9 charges incurred between the notice and the next scheduled read date shall  
10 rest with the Electric Service Provider.

11 **R14-2-1612.K.6. Service Quality, Consumer Protection, Safety, and Billing**  
12 **Requirements**

13 Proposed R14-2-1612.K.6 provides that predictable loads may use load profiles,  
14 and requires the Affected Utility or the Electric Service Provider to make the determination as to  
15 whether a load is predictable. Staff believes that it is necessary to require the entity that develops  
16 the load profile to make the determination as to whether a load is predictable.

17 Staff Recommendation

18 Amend R14-2-1612.K.6 as follows:

19 K. Additional Provisions for Metering and Meter Reading Services

- 20 6. Minimum metering requirements for competitive customers  
21 over 20 kW, or 100,000 kWh annually, should consist of hourly  
22 measurement meters or meter systems. Predictable loads will be  
23 permitted to use load profiles to satisfy the requirements for hourly  
24 consumption data. The entity developing the load profile ~~Affected~~  
25 ~~Utility or Electric Service Provider~~ will make the determination if a  
26 load is predictable.  
27  
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1 **R14-2-1612.N. Service Quality, Consumer Protection, Safety, and Billing**  
2 **Requirements**

3 Proposed R14-2-1612.N requires all customer bills to set forth the following  
4 elements:

- 5 1. Electricity:  
6 a. Generation,  
7 b. Competition Transition Charge, and  
8 c. Fuel or purchased power adjustor, if applicable;  
9  
10 2. Delivery:  
11 a. Distribution services, and  
12 b. Transmission services;  
13  
14 3. Other Costs:  
15 a. Metering Service,  
16 b. Meter Reading Service,  
17 c. Billing and collection, and  
18 d. System Benefits charge.

15 This rule is not consistent with R14-2-1606 C. 2., which identifies the Standard  
16 Offer tariff items. The difference between these two sections may cause confusion to customers  
17 wishing to compare the approved billing elements to the Standard Offer tariff items.

18 **Staff Recommendation**

19 The changes shown below will provide consistency between the tariff and the bill.  
20 These changes attempt to clarify for the customer how the items in the Standard Offer tariff are  
21 reflected in the billing items. Amend R14-2-1612.N as follows:

22 N. Billing Elements. After the commencement of competition within a  
23 service territory pursuant to R14-2-1602, all customer bills, including bills  
24 for Standard Offer customers within that service territory, will list, at a  
25 minimum, the following billing cost elements:

- 26 1. Electricity Costs:  
27 a. Generation including ancillary services (variable costs) and  
28 must-run generation costs,  
b. Competition Transition Charge, and

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c. Fuel or purchased power adjustor, if applicable;

2. Delivery Costs ~~costs~~:

- a. Distribution services, and
- b. Transmission services;
- c. Ancillary services (fixed costs)

3. Other Costs:

- a. Metering Service,
- b. Meter Reading Service,
- c. Billing and collection, and
- d. System Benefits charge.

**R14-2-1613.B.1. Reporting Schedule**

Proposed R14-2-1613.B.1 governs reporting schedules but is incorrectly shown as a second A.1. The section heading "A" should be changed to "B" to provide for proper sequencing of the sections. Also, the beginning date of the report period should be changed from January 1, 1999 to July 1, 1999 and the ending date of the report period should be changed from June 30, 1999 to December 31, 1999.

Staff Recommendation

Amend R14-2-1613.A.1 as follows:

~~A~~ B. Reporting Schedule

- 1. For the period through December 31, 2003, semi-annual reports shall be due on April 15 (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The 1st such report shall cover the period ~~July-January~~ July 1 through December 31 ~~June 30~~, 1999.

**R14-2-1616. Code of Conduct**

Proposed R14-2-1616 requires all Affected Utilities that offer noncompetitive services and that are affiliated with a competitive Electric Service Provider to propose a code of conduct to prevent anti-competitive activities. The code of conduct shall be subject to Commission approval. The proposed rule should be amended to clarify that a competitive

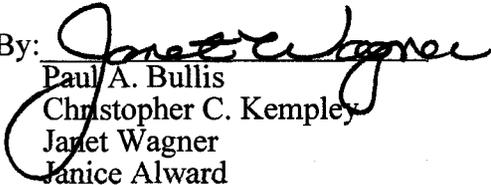
1 affiliate may not provide noncompetitive services. The rule should also be amended to clarify  
2 that electric cooperatives should be required to comply with the code of conduct requirement.

3 Staff Recommendation

4 Amend R14-2-1616 as follows:

5 No later than 90 days after adoption of these Rules, each Affected Utility which  
6 plans to offer Noncompetitive Services and which plans to offer Competitive Services through  
7 its competitive electric affiliate shall propose a code of conduct to prevent anti-competitive  
8 activities. Each Affected Utility that is an electric cooperative, that plans to offer noncompetitive  
9 services, and that is a member of any electric cooperative that plans to offer competitive services  
10 shall also submit a code of conduct to prevent anti-competitive activities. All The codes of  
11 conduct shall be subject to Commission approval.

12 RESPECTFULLY SUBMITTED this 14<sup>th</sup> day of May, 1999.

13  
14  
15 By: 

Paul A. Bullis  
Christopher C. Kempley  
Janet Wagner  
Janice Alward

16  
17  
18 Original and ten copies of the  
19 foregoing filed this 14<sup>th</sup> day  
of May, 1999 with:

20 Docket Control  
21 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

22 A copy of the foregoing was  
23 mailed this 14<sup>th</sup> day of May,  
1999 to:

24 All parties on the service list for  
25 Docket No. RE-00000C-94-0165

26 By: 