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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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Commissioner
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Commissioner

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

DOCKET NO.
RE-00000C-94-0165

**ARIZONA COMMUNITY ACTION ASSOCIATION'S
COMMENTS ON APRIL, 14 1999 PROPOSED RULE**

Arizona Community Action Association (ACAA) hereby files comments on the Electric Competition Rules, dated April 14, 1999.

For the past four years, low-income, residential, and other small consumers were told repeatedly by large consumers, new market entrants, and some policy makers that competition would benefit all of us. Every step of the way, small consumer advocates have been struggling to get and keep some of those promised benefits. Now, the Proposed Rule is being finalized and those promised benefits of lower costs and more choice have evaporated.

The Proposed Rule disadvantages low-income and residential consumers. It contains extremely limited consumer choice and access to lower competitive rates. Low-income and residential consumers will have to pay more than their equitable share of stranded costs. More detail is needed on providing impartial consumer education. There are a number of unresolved issues which must be addressed either in Rulemaking or in another process.

Specifically, the Proposed Rule disadvantages small consumers by:

1. Denying residential and low-income consumers adequate opportunities to participate in the competitive market, essentially stranding them and making them captive customers.
2. Shifting stranded costs onto captive residential consumers and denying them CTC discounts available only to competitive customers.

3. Creating a competitive market exclusively for large consumers, while excluding small consumers, due to lack of incentives or mandates for ESPs to serve residential consumers.
4. Providing little direction for an impartial education program.

ACAA urges the Commission to make the following amendments:

- 1. Create adequate opportunities for residential consumers to participate in the competitive market and create opportunities for a viable pool of residential consumers for ESPs.**

The rules fail to provide a reasonable opportunity for residential consumers to participate in the competitive market. This lack of opportunity not only disadvantages residential consumers, but it also creates a disincentive for competitive suppliers to serve the residential market. As a result, competitive suppliers are virtually ignoring the residential class. With so few residential consumers eligible, the economies of scale are not cost effective. This is an equity issue for residential consumers. ACAA believes strongly that these opportunities must be restored and expanded by the Commission.

14-2-1604. Competitive Phases

- B. As part of the minimum 20% of 1995 system peak demand set forth in R14-2-1604(A), each Affected Utility shall reserve a residential phase-in program that provides an increasing minimum percentage of residential customers with access to competitive electric services according to the following schedule::

1.	January 1, 1999	<u>2 ½%</u>
	April 1, 1999	<u>4 ½%</u>
	July 1, 1999	<u>7 ½%</u>
	October 1, 1999	<u>10%</u>
	January 1, 2000	<u>12 ½%</u>
	April 1, 2000	<u>15%</u>
	July 1, 2000	<u>17 ½%</u>
	October 1, 2000	<u>20%</u>

- 2. Avoid shifting costs and inequitable treatment of stranded cost recovery for residential Standard Offer customers.**

Stranded costs are shifted on to residential customers. Option One of the proposed stranded cost recovery is extremely unfair to small consumers who are

held captive and restricted from the competitive market. Residential Standard Offer customers will not only be denied competitive participation but will also be penalized as a result. Only customers in the competitive market will enjoy a hefty CTC discount, which will be limited to large consumers. Basically, the majority of low-income, residential, and small business consumers will be paying more than their fair share of costs while the "big dogs" get more benefits.

Proposed Stranded Cost Order, Option 1

Ensure that any CTC discount is also extended to Standard Offer customers and that any CTC discount is applied in a way so as to not disadvantage captive customers.

3. Require ESPs to serve residential consumers.

The rules should provide a requirement for ESPs to serve a percentage of the residential market and provide true choice and competition for all consumers. By requiring ESPs to serve residential consumers in exchange for doing business in Arizona, the Commission could create an equitable and robust market. Increasing the number of residential consumers allowed into the competitive market and requiring ESPs to serve them are necessitated by the obvious lack of residential opportunities in the competitive market.

14-2-1603 Certificates of Convenience and Necessity

- B.1. A description of the electric services which the applicant intends to offer; INCLUDING A PLAN TO ENROLL AND SERVE AT LEAST 15% OF THE TOTAL RESIDENTIAL CONSUMERS ELIGIBLE ON October 1, 2000;

- G.7. FAILS TO PROVIDE A PLAN TO ENROLL AND SERVE RESIDENTIAL CONSUMERS PURSUANT TO R14-2-1603 B.1.

- I.8 THE ELECTRIC SERVICE PROVIDER SHALL COMPLY WITH THE PROVISIONS OF R14-2-1603 B.1 ON OR BEFORE SEPTEMBER 1, 1999.
Renumber to conform.

4. Establish an ACC Consumer Education Advisory Committee and require affected utilities to conform education activities to the ACC program.

Impartial consumer education is a basic consumer protection and should be provided to Arizona consumers. It is separate and distinct from advertising or marketing. The Commission has a leadership role to play in this area. ACAA urges the Commission to make education a special priority and coordinate the ACC and the utility education efforts, secure a funding source, and get started quickly. A well educated consumer is more likely to participate in the competitive market. The California experience provides an excellent example of what not to do. There was little coordination of messages and targeting customers, lots of advertising masquerading as education, and an obscene amount of money thrown around while most consumers stayed with their incumbent utility since. It must be remembered, however, the objective of education is not to coerce consumers into switching; it is to inform them.

ACAA supports Commissioner West's suggestion that the ACC enter into an IGA with RUCO to administer an ACC funded consumer education program. ACAA suggests that a Consumer Education Advisory Committee be established to provide oversight to the program and coordinate with RUCO. The committee would include representatives of ACC Staff, RUCO, ACAA, Arizona Consumer Council, the affected utilities and other interested parties.

14-2-1614 Administrative Requirements

E. Prior to October 1, 1999, the Director, Utilities Division, shall implement a Consumer Education Program AND FUNDING PLAN as approved by the Commission TO SERVE AS A MODEL AND A STANDARD FOR AFFECTED UTILITIES EDUCATION PROGRAMS. AFFECTED UTILITIES WILL, AT A MINIMUM, CONFORM THEIR CONSUMER EDUCATION PROGRAMS AND MATERIALS TO THE ACC CONSUMER EDUCATION PROGRAM.

5. Address unresolved issues.

ACAA believes that there are unresolved issues in the Proposed Rule which directly affect whether or not residential and low-income consumers will benefit equitably as a result of electric competition. Further, ACAA believes there must be equitable protections for residential and low-income consumers, including

those affecting prices as well as policies. The Proposed Rule should be amended to:

- Ensure that the Standard Offer provides both equitable benefits and protections to residential consumers.
- Add needed details and policies about System Benefit Charges.
- Assure that discounts and other price benefits for consumers in the competitive market are shared equitably with residential customers who are either competitive or stranded.
- Ensure that Provider of Last Resort provisions will adequately protect small consumers and not disadvantage them. Small consumers must have access to affordable electricity.
- Ensure adequate and reasonable policies regarding deposits, payment plans, and extreme weather shut-offs for residential or low-income consumers.
- Ensure that information about the resource mix is readily available to residential consumers without any acquisition barriers.

6. Establish Workshops to resolve aggregation and solar portfolio issues.

- Regarding lack of opportunities for residential and low-income consumers, the latest changes to the Rule limit aggregation opportunities for residential consumers. The Rule should be amended to allow increased aggregation opportunities by residential consumers.
- Reinstate and resolve the Solar Portfolio.

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Betty K. Pruitt

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