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IN THE MATTER OF THE COMPETITION IN ) DOCKET NO. RE-00000C-94-0165  
THE PROVISION OF ELECTRIC SERVICES )  
THROUGHOUT THE STATE OF ARIZONA ) **RESPONSES TO COMMENTS**

The Arizona Transmission Dependent Utility Group<sup>1</sup>, by its undersigned counsel, herewith submits its responsive comments to comments submitted on the proposed Electric Competition Rules, pursuant to the Commission's Procedural Order dated April 21, 1999. These responsive comments are submitted *seriatim* for ease of reference. Additional comments will be submitted by the revised deadline of June 23, 1999, stated in the Procedural Order of May 21, 1999.

R14-2-1601(35). TRICO proposes to add distribution assets to the definition of stranded costs. Since the Rules prohibit other Affected Utilities from providing distribution facilities within TRICO's service area, we find it difficult to see how TRICO's distribution assets could be stranded. Those assets will continue to be recovered in Standard Offer Service and wheeling rates. The TRICO suggestion should be rejected. Doing so would also constitute rejection of TRICO's suggested change for R14-2-1607.C. TRICO would also have the Commission delete the ending date for stranded costs of

<sup>1</sup> Aguila Irrigation District, Ak-Chin Indian Community, Buckeye Water Conservation and Drainage District, Central Arizona Water Conservation District, Electrical District No. 3, Electrical District No. 4, Electrical District No. 5, Electrical District No. 7, Electrical District No. 8, Harquahala Valley Power District, Maricopa County Municipal Water District No. 1, McMullen Valley Water Conservation and Drainage District, Roosevelt Irrigation District, City of Safford, Tonopah Irrigation District, Wellton-Mohawk Irrigation and Drainage District.

1 December 26, 1996. Others have previously suggested this deletion, to no  
2 avail. The same result should pertain here. The Affected Utilities have  
3 long known that investments made after that date were business decisions for  
4 which the companies assumed the risk.

5 R14-2-1609.B. Staff would delete the word "import" concerning the obligation  
6 to maintain transmission capability. Staff believes that doing so would make  
7 the provision apply to import, export, and local operation capability. APS  
8 would delete the provision, and claims it would adversely affect power plant  
9 siting decisions. Mohave and Navopache would delete "transmission import"  
10 and substitute "distribution". The section in question purports to guarantee  
11 open access to the extent of the Commission's jurisdiction to do so. The  
12 subsection in question, as written, would add to that guarantee the  
13 obligation to ensure the transmission import portion of wires capacity  
14 necessary for such access in the future. If it is the Commission's intent  
15 that the obligation to provide open access to transmission and distribution  
16 facilities includes a Utility Distribution Company's obligation to meet load  
17 growth associated with its facilities, then the provision is generally on  
18 target. Additional clarity would be achieved concerning defining that  
19 obligation if the words "transmission import" were deleted and the words  
20 "transmission and distribution import, export, and local operation" were  
21 substituted therefor. Such a provision would require the utility  
22 distribution company to either contract for or build wires and associated  
23 facilities to accommodate load growth. Facilities subject to FERC  
24 jurisdiction would have regulations in place to determine available transfer  
25 capability and assigned costs for increased system transfer requirements.  
However, the Rule is silent as to how these issues will be faced for those  
facilities subject to Commission jurisdiction. As long as the Commission  
continues to allow system additions to be added to the rate base for wheeling

1 revenues, that aspect of the problem goes away. However, Utility  
2 Distribution Companies can stall competitors by claiming that additional  
3 facilities need to be constructed to accommodate new demand for delivery of  
4 power resources. Some additional safeguard is required in these Rules to  
5 guarantee that ATC calculations are not used as a shield against competition.  
6 R-14-2-1610. The proposed Rule on in-state reciprocity makes the same change  
7 to each of its five subsections. That change is to exclude an Arizona  
8 electric utility that is an Public Power Entity from the application of this  
9 Rule. Presumably, this new term of art is intended to be defined as it is  
10 currently defined in A.R.S. §30-801(16). Assuming that to be the case, the  
11 net effect of the proposed change is to eliminate the Salt River Project and  
12 its affiliate, New West Energy Corporation, from any possible coverage under  
13 this Rule. We join with Staff and TRICO in suggesting that a reference to  
14 the statute cited above be used to define a Public Power Entity.

15 R-14-2-1612.K.6. Both Staff and APS suggest that the entity doing the load  
16 profile determine "predictability". We have no objection to that suggestion.  
17 However, some types of loads, such as irrigation and other water pumping  
18 loads, are inherently predictable. We believe that certain categories of  
19 predictable loads, such as irrigation and other water pumping, should be  
20 identified in the Rules. We suggest that the following sentence be added to  
21 the paragraph: "The Commission will identify categories of loads that are  
22 deemed predictable". This would be an obvious subject for discussion at the  
23 Metering Issues Workshop and an appropriate place to develop such a list.

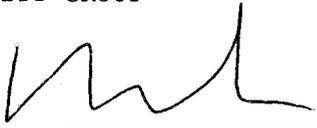
24 R-14-2-1615. We believe the future of this provision is in doubt. APS  
25 Energy Services is now restructured as a separate subsidiary of Pinnacle  
West. However, APS has filed, in its stranded cost settlement, a request  
that all affiliates be allowed to be subsidiaries of APS. The key appears to  
be what the word "separate" is intended to mean in subsection A. In its

1 comments here, APS requests that non-generation related competitive services  
2 be retained within APS and not spun off to affiliates. Something has to  
3 give. Either corporate separation of competitive from non-competitive  
4 activity will take place, or it won't. We believe such corporate separation  
5 is essential. It will be hard enough to guard against unfair and anti-  
6 competitive activities as it is, without inviting problems by allowing top-  
7 down command and control of utility functions, even though nominally  
8 "separate".

9 R-14-2-1616. The Code of Conduct Rule has essentially been emasculated.  
10 Leaving it totally up to the Affected Utility to invent a code of conduct  
11 provides no standard by which one can obey the Rule and no standard by which  
12 the Commission can decide if the rule has been obeyed. Whatever the flaws in  
13 the prior proposed rule, junking it and leaving the entire subject up for  
14 grabs is not the answer. If FERC can come up with a rule that outlines  
15 standards for utility conduct, the ACC can also. It needs to. Perhaps those  
16 who have complained the loudest should be tasked to write a more specific  
17 alternative for consideration.

18 RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of June, 1999.

19 ARIZONA TRANSMISSION DEPENDENT  
20 UTILITY GROUP

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Original and 10 copies of the foregoing filed this 4<sup>th</sup> day of June, 1999 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona

Copies of the foregoing mailed this 4<sup>th</sup> day of June, 1999, to:

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

