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IN THE MATTER OF THE COMPETITION)	DOCKET NO. RE-00000C-94-0165
IN THE PROVISION OF ELECTRIC)	
SERVICES THROUGHOUT THE)	AEPCO, DUNCAN AND
STATE OF ARIZONA)	GRAHAM'S REPLY COMMENTS

Pursuant to the April 21 Procedural Order, AEPCO, Duncan and Graham (the "Cooperatives") submit these reply comments to the comments of other interested parties in this docket.

In general, the Cooperatives support many of the suggested Rules' amendments offered by Trico, APS and TEP. In particular, the Cooperatives urge the modifications to the definition of competitive services (pp. 1-2), provider of last resort and special contract provisions (pp. 3-4) offered in the APS comments.

The Cooperatives also support modification or deletion of R14-2-1609.B as suggested by Trico and APS.¹ The Rule, as written, is confusing and can be read to require distribution entities to perform transmission functions. In addition to the jurisdictional conflicts that poses with the FERC, the provision could also burden all distribution customers with transmission costs caused by only a few large electric consumers. For these same reasons, the Cooperatives oppose the change to R14-2-1609.B recommended by Staff at page 5 of its Comments.

The Cooperatives also support TEP's suggestion at page 2 of its Comments that the word "non-nuclear" be added after "nuclear" in the definition of System Benefits (R14-2-1601.36).

¹ Trico Comments at page 3; APS Comments at pp. 5-6.

1 Coal fired plants also have decommissioning costs and there is no rational reason to treat these
2 facilities differently.

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4 The City of Tucson suggests a "flash cut" to competition at page 2 of its Comments
5 instead of the phase-in schedule set forth in R14-2-1604. The Cooperatives oppose that
6 recommendation. First, unless all competition is delayed until January 1, 2001, it would place the
7 Rules in conflict with H.B.2663. Second, although progress has been made this year, many details
8 remain to be discussed and resolved concerning competition. For example, Staff just scheduled at
9 least two more workshops for this summer concerning a variety of operational and implementation
10 matters. Given unresolved competition issues as well as Y2K related matters at the end of this year, a
11 transitional phase-in period remains an important concept.

12
13 A few parties argue for restoration of the old Affiliate Transactions Rule.² Tucson,
14 however, concedes at the same time that the prior Rule "may have been flawed and incomplete." No
15 party offers any adequate reason why an individually tailored Code of Conduct subject to
16 Commission review and approval is not a much more satisfactory solution. The Affected Utilities
17 are different. APS and TEP are vertically integrated IOU's. Citizens is a distribution IOU. MWE is
18 a wholly owned subsidiary of a mining company. AEPCC and its member owned cooperatives are
19 already disaggregated - distribution is separated from generation. Each utility serves in very
20 different areas with very different market characteristics. A restraint or allowance appropriate to
21 Phoenix may be wholly inappropriate in Duncan or Pima. The competitors' desire to shackle
22 Affected Utilities with unnecessary and burdensome regulatory requirements may be understandable
23 from a business standpoint, but it should not be confused with good public policy.

24
25 Finally, at pages 1-3 of the Law Fund Comments, it argues that "resource mix"
26 disclosures should be made mandatory in R14-2-1617.³ Currently, the Rule requires disclosure of
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² City of Tucson, page 5; AECC, pp. 1-2; and Enron Comments.

³ The City of Tucson raises a similar point at pages 5-6 of its Comments.

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such information upon request "to the extent reasonably known." That simply is the best that can be done. As the Concise Explanatory Statement noted, "we are mindful that providers of generation services may not always know the characteristics of the resources portfolio." Making mandatory a "guess" will impair not improve the value of data provided the customer.

RESPECTFULLY SUBMITTED this 4th day of June, 1999.

GALLAGHER & KENNEDY, P.A.

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Original and ten (10) copies of the foregoing document filed this 4th day of June, 1999, with:

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Copy of the foregoing document mailed this 4th day of June, 1999, to all parties of record.

Kenneth M. ...
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