



0000121576

ORIGINAL

RECEIVED

Arizona Corporation Commission

DOCKETED

2000 MAY 12 P 4: 19

MAY 12 2000

AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

[Signature]

Memorandum

To: Patrick J. Black
Special Assistant to Commissioner Irvin

Thru: Deborah R. Scott
Director
Utilities Division

[Signature: Deborah R. Scott]

From: Sheryl L. Hubbard

[Signature: Sheryl L. Hubbard]

Date: 05/12/00

Re: ARIZONA PUBLIC SERVICE COMPANY'S OPEN ACCESS
TRANSMISSION TARIFF

DOCKET NO: RE-00000C-94-0165

ISSUE:

Commissioner Irvin requested information of Staff regarding how the Arizona Public Service Company's ("APS") Open Access Transmission Tariff ("OATT") compares to what is contained in the APS Settlement Agreement.

BRIEF ANSWER:

Staff's consultant is of the opinion that the informational unbundling exactly reflects the transmission component of the standard offer tariff consistent with the OATT and the Commission's Decision No. 61973.

DISCUSSION:

Our consultant has completed the review of the APS' OATT and provided Staff with a memo summarizing the results of the analysis.

To summarize the consultant's findings, the rates of APS are complicated. Only three Direct Access rates have been offered to replace the fifty-plus standard offer tariffs of APS when a customer chooses an alternative energy provider. These three rates provide access to all customers, but have created some anomalies between some Standard Offer rates and the Direct Access rates. APS did not

May 12, 2000

unbundle their Standard Offer rates. Instead, they have been authorized to provide an "informational unbundling" with each customer's monthly bill. This was a contested issue in APS' stranded cost proceeding, and the Commission order accepted APS' proposed "informational unbundling". (Decision No. 61973, dated October 6, 1999 at page 11, attached).

"We find the APS Attachment AP-1R, second revised dated 8/16/99 provides sufficient information in a concise manner to enable customers to make an informed choice. (See Attachment No. 2 herein)."

APS converted its FERC transmission rates from a kilowatt (kW) basis to a kilowatt-hour (kWh) basis, where necessary for retail purposes, in its OATT filing of retail rates. Staff's consultant has reviewed this conversion and is of the opinion that the conversion and resulting rates are consistent with the Commission's Decision No. 61973. Staff's consultant also is of the opinion that the informational unbundling exactly reflects the transmission component of the standard offer tariff consistent with the OATT and the Commission's Decision No. 61973. This can be seen even in some bills that show the anomalous result of a negative generation credit in the unbundled bill, but still show the correct charge for transmission. This is the result of the generation credit component being the final residual. The customer's rate is calculated on both the normal tariff and the Direct Access tariff. The difference would be the amount that the customer would have to shop for generation and associated transmission and ancillary services. The informational unbundling then subtracts the amount the customer would have to pay under the OATT, leaving the dollars that are available for generation alone.

If you need additional information, please feel free to contact me.

Attachment

cc: Chairman Kunasek
Commissioner Irvin
Commissioner Mundel
Jerry Porter
Hercules Dellas
Barbara A. Wytaske, Assistant Director
Jerry D. Smith, Electrical Engineer
Docket Control
Service List for RE-00000C-94-0165

1 necessary information to determine whether a competitor's price is lower than the Standard Offer
2 rate. Further, some of the parties asserted that APS has not performed a functional cost-of-service
3 study and as a result the Settlement's "shopping credit" is an artificial division of costs. In response,
4 APS indicated the Standard Offer rates can not be unbundled on a strict cost-of-service basis unless
5 the Standard Offer rates are redesigned to equal cost-of-service. APS opined that such a process
6 would result in significant rate increases for many customers.

7 AECC asserted that a full rate case would result in additional months/years of delay with
8 continued drain of resources by all interested entities.

9 The ESPs asserted that the bill format proposed by APS is misleading and too complex. In
10 general, the ESPs desired a bill format that would allow customers to easily compare Standard Offer
11 and Direct Access charges in order to make an informed decision. As a result, APS was directed to
12 circulate an Informational Unbundled Standard Offer Bill ("Bill") to the parties for comments.
13 Subsequent to the hearing, a Bill was circulated to the parties for comments to determine what
14 consensus could be reached on its format. In general, there was little dispute with the format of the
15 Bill. However, PG&E and Commonwealth disagreed with the underlying cost allocation
16 methodologies. Enron was concerned that the Bill portrayed the Standard Offer to be more simplistic
17 than the Direct Access portion of the Bill. Enron proposed a bill format that would clearly identify
18 those services which are available from an ESP. Based on comments from RUCO and Staff, APS
19 made general revisions to the proposed Bill.

20 → We find the APS Attachment AP-1R, second revised dated 8/16/99 provides sufficient
21 information in a concise manner to enable customers to make an informed choice. (See Attachment
22 No. 2 herein). However, we find the Enron breakdown into a Part 1 versus Parts 2 and 3 will further
23 help educate customers as to choice. We will direct APS to further revise its Bill to have a Part 1 as
24 set forth by the Enron breakdown. We believe Parts 2 and 3 can be combined for simplicity.

25 We concur with APS that it is not necessary to file a revised cost-of-service study at this time.
26 The proposed Standard Offer rates contained in the Settlement are based on existing tariffs approved
27 by this Commission. Further, we concur with AECC that a full rate case with a revised cost-of-
28 service study would result in months/years of additional delay. Lastly, the Standard Offer rates as