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BEFORE THE ARIZONA CORPORATION COMMISSION

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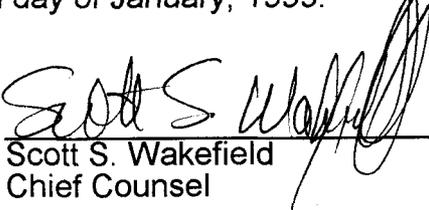
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NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby files its comments as required by the Hearing Officer's January 6, 1999 Procedural Order.

RESPECTFULLY SUBMITTED this 20th day of January, 1999.


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

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Issues for consideration by the ACC in Arizona electric restructuring, and suggested steps for addressing them

Introduction

Arizona's Residential Utility Consumer Office (RUCO) offers the following list of suggested issues to be resolved and steps to be followed in restructuring Arizona's electric sector. The list is arranged in phases, beginning with the most basic requisites of a competitive market. The first phase could be completed quickly, for a very early start to competition. Each additional phase will deal with the remaining critical, but not necessarily immediate, steps to an extensively-restructured competitive electric service market. Electric competition is imminent and the comprehensive nature of this list should not be viewed as suggesting further delay. RUCO believes that the tasks remaining can be accomplished quickly to the satisfaction of most parties.

Phase 1: Prepare for interim competition

1. Changes to competition rules

- a. Reestablish competition rules.
- b. Specify which services can be purchased independently of which other services, and standardize this in all territories under ACC jurisdiction.
- c. Establish what the separate billing elements are, what each is called, and exactly what each includes.
- d. Design bill format
 - i. Require a standardized bill format that ensures clarity, allows accurate comparisons, and prevents misleading claims.
 - ii. Require that all bills, both those of standard offer generation customers and those of direct access customers, consist of the same billing cost elements.

2. Consumer education

- a. At a minimum, implement the customer education program recommended by the customer education committee.

3. Interim unbundled tariffs, interim stranded cost estimates, interim competition transition changes

- a. Commission holds accelerated hearings to establish interim unbundled tariffs, interim stranded cost estimates and interim competition transition charges.

4. Competitive energy service providers

- a. Consider the applications of competitive energy service providers

Phase 2: Prepare for permanent competition

5. Consolidated hearings on each Affected Utilities' stranded costs and unbundled tariffs.

- a. Establish guidelines for divestiture.
- b. Examine whether securitization is appropriate.

8. Generation pricing in load pockets

Determine which generating units are must-run units because of load pocket conditions. Propose an appropriate pricing mechanism.

9. Transmission system operation and other ISO/ISA tasks

ISO/ISA must be operational.

Phase 3: Establish rates for non-competitive services

10. Establish rates, rather than taking initial unbundled rates as valid precedents.

Phase 4: Set final competition transition charges and credits

11. Calculate total stranded cost amount on divested assets.

12. Revise total stranded cost amount on assets not divested.

Suggested schedule and methods for addressing restructuring steps

This is one possible schedule for rapid implementation of restructuring. It is designed to match the issues and steps outlined in the list submitted by RUCO, and to be consistent with proposed schedule submitted to the ACC by the Attorney General's office and RUCO on January 4, 1999. Agreements among parties are an option even if they are not explicitly mentioned in this schedule.

<u>Action</u>	<u>Completion date</u>
Phase 1: Prepare for interim competition	
Parties attempt to settle on interim tariffs, parties propose Rule modifications.....	February 1999
Commission issues order on interim tariffs, interim stranded costs estimates, and interim competition transition charges or credits.....	March 1999
Recommended order on rules, and commencement of APA process, if necessary.....	March 1999
Arizona customers receive bill insert about opportunity to sign up for direct access.....	Last or second-to-last bill before market opens
Commission continues hearing applications from competitive energy service providers.....	Ongoing
Phase 2: Prepare for permanent competition	
Consolidated hearings on each Affected Utility's stranded cost and unbundled tariffs filings.....	April/May/June 1999
Recommended order, including must run protocols and divestiture process.....	As soon as possible, sometime in July 1999
Final orders on stranded cost, unbundled tariffs and revised rules	August 1999
Phase 3: Non-competitive Services	
Begin hearings on permanent unbundled rates.....	February 2000
Phase 4: Set final competition transition charges and credits	August 2000