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BEFORE THE ARIZONA CORPORATION COMMISSION

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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. ) TEP'S PROPOSED AMENDMENTS  
 ) TO THE ELECTRIC  
 ) COMPETITION RULES  
 )

On December 11, 1998, the Arizona Corporation Commission ("Commission") issued Decision No. 61272 which adopted the Retail Electric Competition Rules, R14-2-1601, *et seq.* ("Rules"). Pursuant to the Procedural Order dated January 26, 1999, Tucson Electric Power Company ("TEP" or "Company") hereby submits its proposed amendment to the Rules as set forth below and in the attached strikeout/underline format. Those Rules where the Company is not recommending any changes are not discussed below or included in the attachment. TEP makes these comments without waiver of its right to make additional comments in any future rulemaking or other proceeding.

**ARTICLE 2. ELECTRIC UTILITIES**

**R14-2-210. Billing and collection**

A.5.c. This provision should be deleted as the utility or billing entity does have the ability to do this and such bills can be estimated in accordance with R14-2-209A.8. and R14-2-1613.K.14.

B.2.c. Unlike commercial and industrial customers that may have demand meters, TEP does not measure demand for residential customers. Therefore, the information should only be required to be provided if demand is "measured."

G.1. As this provision allows utilities to offer levelized billing plans at its option to residential customers, they should also be permitted to offer such plans to other customers. Therefore, "residential" should be deleted.

1 **R14-2-213. Conservation**

2 Although TEP supports this concept, this rule should be deleted at this time for the following  
3 reasons: i) it is premature to make this requirement at this time while the Commission and the  
4 Legislature (because of SRP) need to work together to accomplish these goals on a statewide basis;  
5 ii) the Commission will be revisiting the Integrated Resource Planning Rules in light of the move to  
6 competition, (these concepts and filing requirements should be explored in the context of that  
7 proceeding); iii) to achieve these goals, they should be applied to *all* utilities and ESPs (not just  
8 Class A and B utilities) and should be considered in the context of the System Benefit Charge; and  
9 iv) this requirement (like the Solar Portfolio Standard discussed below) should be delayed until after  
10 100 percent statewide competition has commenced and the market structure has been developed.

11 **ARTICLE 16. RETAIL ELECTRIC COMPETITION**

12 **R14-2-1601. Definitions**

13 4. The definition of "buy through" should be deleted. (See discussion under R14-2-  
14 1604- below.)

15 10. As the Company will only be accepting DASRs from ESPs and self aggregators,  
16 "customer" should be deleted and "self aggregator" inserted.

17 18. "Green Pricing" should not be limited to ESPs and should include all renewable  
18 resources and not just solar.

19 19. "Proposed" should be deleted as the ISA has already been formed.

20 29. This is a clarification to permit the inclusion of other "noncompetitive" services  
21 approved by the Commission.

22 37. The definition of "Solar Electric Fund" should be deleted for the reasons set forth  
23 below. (See discussion under R14-2-1609.)

24 39. The date should be changed to the start-date of electric competition as proposed  
25 herein.

26 40. The definition should add "non-nuclear" decommissioning programs and other  
27 programs approved by the Commission.

28 **R14-2-1604. Competitive Phases**

29 **General.** TEP supports an October 1, 1999, start-date for the 20 percent phase-in. This  
30 recommendation is predicated upon the Commission resolving the outstanding issues on stranded

1 costs, unbundled tariffs, operational and reliability protocols, as well as providing sufficient time for  
2 the Affected Utilities to implement the changes into their systems. TEP believes that if competition  
3 does not start on or before October 1, 1999, it should not start until at least March 31, 2000 because  
4 of the "Year 2000" problem.

5       **A.1 and 2.** TEP believes that utilizing a single "non-coincident" peak has unintended  
6 consequences. Only customers with 1 MW minimum demand should be eligible for direct access.  
7 Given TEP's customer base, the non-coincident peak criterion could expand the direct access  
8 eligibility from the 1 MW customer base to well beyond the 20 percent of TEP's 1995 system retail  
9 peak demand. It would also have the effect of making the 40 kW aggregation meaningless, as well  
10 as impose additional burdens to administer. As the 20 percent cap could be easily reached, there will  
11 be customers that have loads in excess of 1 MW that will not be able to access the competitive  
12 market during the transition period.

13       **A.2.** In the third sentence, TEP suggests replacing "month" with "six months." Doing so  
14 will better characterize a customer whose load or usage is more consistently at least 40 kW or 16,500  
15 kWh.

16       **B.1.** TEP believes that the residential phase-in program should be the ¼ of 1 percent as  
17 originally proposed by Staff.

18       **B.5.** Reports should be on a semi-annual basis and the dates should be modified  
19 accordingly.

20       **D.** TEP does not believe that aggregation across service territories is appropriate.

21       **G.** As 100 percent open access will occur in 2001 (only 15 months after the start of the  
22 phase-in), buy-throughs are unnecessary and is a way of obviating the 20 percent phase-in cap.

23 **R14-2-1605. Competitive Services**

24       **B.** TEP believes that aggregation of retail customers into a purchasing group should not  
25 be considered a competitive service. A UDC should be permitted to engage in this kind of  
26 aggregation (subject to Commission approval) to help its standard offer customers to control energy  
27 costs.

28 **R14-2-1606. Services Required To Be Made Available**

29       **B.** The sentence "Any resulting contract in excess of 12 months shall contain provisions  
30 allowing the Utility Distribution Company to ratchet down its power purchases" should be

1 eliminated. TEP understands the Commission's intent with respect to this provision; however,  
2 ratchet mechanisms are not typically available in the marketplace and are, therefore, likely to be  
3 expensive. The Commission will oversee the signing of any long-term power purchases by the UDC  
4 and will have significant oversight over such transactions. The provision should also include a  
5 statement that all purchase power costs shall be recovered through a purchased power adjustment  
6 mechanism approved by the Commission.

7 G.1. TEP believes that if a customer requests information from the utility, the utility  
8 should be able to charge a reasonable fee for providing the service.

9 **R14-2-1607. Recovery of Stranded Cost of Affected Utilities**

10 A. Delete "by means such as expanding wholesale or retail markets, or offering a wider  
11 scope of services for profit, among others." As is, this sentence suggests that the Affected Utility use  
12 profits from "expanding [its] wholesale or retail markets" or a "wider scope of services" to mitigate  
13 stranded costs. It is unclear whether the markets and services mentioned are regulated or  
14 unregulated (*i.e.*, competitive). TEP anticipates that most, if not all, new products and services in the  
15 electric industry will develop in the unregulated, competitive marketplace. The very nature of  
16 "unregulated" means that the Commission will not require that profits from such activities be used to  
17 offset costs in the regulated arena. Further, as TEP has proposed to divest itself of generation, the  
18 potential of expanding market opportunities becomes significantly limited.

19 E.11. TEP believes that considering the amount of electricity generated by renewable  
20 generating resources is an inappropriate factor in considering stranded cost. TEP also believes that  
21 as the Commission has an obligation to utility shareholders (as well as customers), the impact of  
22 stranded cost recovery as it relates to shareholders should be considered.

23 F. TEP disagrees with the self-generation exclusion. If the Rule is not modified to  
24 ensure that customers who choose to self-generate are responsible for stranded costs just as any other  
25 existing customer, a potentially large and improper economic incentive for self-generation will be  
26 created. This is due to the ability of such customers to avoid stranded cost charges. The result of the  
27 Rule as written will be to significantly increase uneconomic self-generation, while increasing  
28 stranded cost burdens on customers who purchase their power in the competitive marketplace.

29 J. TEP suggests that a new section J be added to indicate that the Commission may  
30 consider securitization as a financing method for recovery of stranded costs if it finds that such

1 method of financing will result in a lower cost alternative to customers.

2 R14-2-1608. System Benefits Charges

3 A. TEP believes that direct access implementation costs, non-nuclear decommissioning  
4 programs, as well as other programs subsequently approved by the Commission, should be included  
5 in the System Benefits Charges. Additionally, the solar water rebate program should be deleted at  
6 this time.

7 R14-2-1609. Solar Portfolio Standard

8 Although TEP supports the concept of a Solar Portfolio Standard, the Company believes that  
9 the Rule sets forth a schedule that is too aggressive and costly and needs to be re-evaluated in the  
10 context of its effect on the introduction of retail competition. The Company suggests that the  
11 Commission consider revising the program, and if it is inclined to implement such a standard, it do  
12 so after the start of full competition so its financial and market impacts can be properly assessed.

13 If, however, the Commission is inclined to keep the Solar Portfolio at this time, TEP offers  
14 the following comments. TEP requests that for purposes of this Rule, it should be made clear that an  
15 ESP may take credit and be in compliance with this standard if it utilizes the product of an affiliate  
16 that is engaged in the solar industry. For example, Staff specifically recognized this relationship in  
17 subsection K by inserting "affiliate" with respect to the manufacturing credit. It should also be  
18 applicable to other sections of the Rule where a credit may be taken such as the Early Installation  
19 Credit in subsection D or the renewable goal in subsection H.

20 A. and B. TEP believes that in order to allow for proper advances in technology and to  
21 ensure that money is invested in proven technologies, the percentage should be decreased from  
22 2/10ths of one percent in 1999 to 1/10th of 1 percent after 2001.

23 C. This provision should only apply to competitive retail sales after January 1, 2001. It  
24 should not apply to standard offer retail electricity, because the UDC is merely procuring generation  
25 through a competitive bid process as required by the Rules, and passing costs through to standard  
26 offer customers. Requiring UDCs to comply with this provision creates a significant cost burden.  
27 Under the existing Rule, TEP's estimated cost in 2001, for example, would be approximately \$6.75  
28 million if one half of TEP's current customers choose direct access, and as much as \$13.5 million if  
29 a more significant number of customers choose direct access. This approximates to more than two  
30 times TEP's current expenditures for both DSM and renewables. Further, the cost would increase

1 thereafter pursuant to the Rule unless the cost of solar resources is significantly reduced.

2 H. This provision references the Commission's Integrated Resource Planning ("IRP")  
3 Rules, which apply to only four of the Affected Utilities. TEP believes that the IRP requirements  
4 should be repealed or revised given the requirement of the Rules for an Affected Utility to divest  
5 itself of generation to an affiliate or a non-affiliate. Renewables, for example, should be the  
6 responsibility of the ESPs and not the UDCs who are no longer in the generation business. To the  
7 extent the UDC provides standard offer generation, it will be obtained through competitive bid from  
8 other suppliers.

9 **R14-2-1610. Transmission and Distribution Access**

10 Based upon the Company's involvement in the formation of the ISA, the amendments  
11 suggested by TEP are "clean-up" type amendments that reflect changes necessary to ensure  
12 appropriate access to the State's transmission and distribution systems.

13 **R14-2-1612. Rates**

14 A. This section raises a "Constitutional red flag" in that the Commission is having the  
15 market determine that rates are just and reasonable rates instead of the Commission. TEP suggests  
16 that this section be deleted.

17 **R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements**

18 **General.** Most of the suggested amendments are clean-up amendments that the  
19 Company deems necessary and appropriate based upon its experience in preparing for direct access  
20 implementation.

21 C. The requested language is to provide the UDC the right to review and audit written  
22 authorizations to guard against deceptive practices.

23 **R14-2-1614. Reporting Requirements**

24 TEP questions the need for the amount of information currently set forth below and has  
25 suggested amendments accordingly. This amount of information will be difficult to compile and  
26 increase the costs, that ultimately customers will be required to pay. TEP has also suggested some  
27 clean-up amendments.

28 **R14-2-1616. Separation of Monopoly and Competitive Services**

29 A. TEP believes that it will be unable to separate its generation and transmission assets  
30 by January 1, 2001, and, therefore, suggests that the date be 2003. Moreover, there may be lease and

1 bond restrictions on the Company's ability to comply with this. Therefore, TEP has suggested that  
2 specific waiver language be inserted to address this concern.

3 B. TEP believes that Affected Utilities be permitted to offer metering and meter reading  
4 services to competitive customers at tariffed rates. This will provide the Commission regulation  
5 over such rates, while increasing customer choice.

6 C. The following should be added at the end of the paragraph: "Generation  
7 Cooperatives will be subject to the same limitations that its member Distribution Cooperatives are  
8 subject to." This is necessary to prevent AEPCO (or its affiliate) and other generation cooperatives  
9 from competing in the retail electric market while utilizing the services of its Distribution  
10 Cooperatives.

11 R14-2-1617. Affiliate Transactions

12 **General.** TEP believes that this Rule should apply to all ESPs that have affiliate UDCs  
13 regardless of where that UDC is located. Without such a requirement, such UDCs will have a  
14 competitive advantage and not be subject to the same regulatory requirements of other UDCs.  
15 Therefore, the Company is proposing a new section G to the Rule to require this.

16 A.1. TEP believes that this section can be eliminated because the provisions of A.2 contain  
17 all of the necessary safeguards.

18 A.6. TEP believes that there is no purpose to be served by this provision except to  
19 disadvantage smaller corporate entities such as TEP. It makes a presumption that separation is  
20 appropriate in all instances when the Commission has always had the ability to review affiliate  
21 relationships under the Affiliate Rules. What this does is to deny day-to-day expertise necessary to  
22 efficiently carry out responsibilities to different entities. So long as proper allocation and conflict  
23 policies are in effect, this provision is unnecessary. TEP has, therefore, proposed alternative  
24 language to address this issue. If the Commission is not inclined to adopt this amendment, at the  
25 very least, the Rules should provide for a waiver by the Commission upon a demonstration by the  
26 Affected Utility that appropriate procedures have been implemented that ensure that the utilization of  
27 common board members and corporate officers does not allow for the sharing of confidential  
28 information with affiliates or otherwise circumvent the purpose of these Rules.

29 ...

30 ...

1 A.7. As the Commission is moving towards a competitive marketplace, TEP believes that  
2 the transfer of goods and services should be based upon the fair market value of such goods and  
3 services.

4 E. The date for the compliance filing should be amended as a result of the stay and other  
5 clean-up amendments.

6 R14-2-1618. Disclosure of Information

7 TEP believes that, in theory, disclosing a load-serving entity's resource mix may be a worthy  
8 goal from society's perspective. However, from a practical standpoint, the costs and efforts required  
9 to track and administer such things as composition of the resource portfolio, the fuel mix of that  
10 portfolio and its emission characteristics are at least substantial, and more than likely burdensome,  
11 from the customer's, as well as the load-serving entity's perspective. If, in the future, technological  
12 advances regarding developing and tracking such information make it readily available, the costs of  
13 disclosing it may not be prohibitive, but such is not the case at present. Accordingly, TEP is  
14 recommending amendments to this section that will provide customers appropriate and relevant  
15 information without over burdening the load serving entity. Additionally, the amendments recognize  
16 that the Western Conference of Public Service Commissioners are developing a tracking mechanism  
17 that could be used on a regional basis.

18 \* \* \* \* \*

19 RESPECTFULLY SUBMITTED this 29th day of January, 1999.

20 TUCSON ELECTRIC POWER COMPANY

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22  
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TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS  
AND ASSOCIATIONS; SECURITIES REGULATION  
CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES

ARTICLE 2. ELECTRIC UTILITIES

- R14-2-201. Definitions
- R14-2-202. Certificate of Convenience and Necessity for electric utilities; filing requirements on certain new plants
- R14-2-203. Establishment of service
- R14-2-204. Minimum customer information requirements
- R14-2-205. Master metering
- R14-2-206. Service lines and establishments
- R14-2-207. Line Extensions
- R14-2-208. Provision of service
- R14-2-209. Meter reading
- R14-2-210. Billing and collection
- R14-2-211. Termination of service
- R14-2-212. Administrative and hearing requirements
- R14-2-213. Conservation

## ARTICLE 2. ELECTRIC UTILITIES

### R14-2-210. Billing and collection

#### A. Frequency and estimated bills

1. Unless otherwise approved by the Commission, the utility or billing entity shall render a bill for each billing period to every customer in accordance with its applicable rate schedule and may offer billing options for the services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days without customer authorization. If the utility or Meter Reading Service Provider changes a meter reading route or schedule resulting in a significant alteration of billing cycles, notice shall be given to the affected customers.
2. Each billing statement rendered by the utility or billing entity shall be computed on the actual usage during the billing period. If the utility or Meter Reading Service Provider is unable to obtain an actual reading, the utility or billing entity may estimate the consumption for the billing period giving consideration to the following factors where applicable:
  - a. The customer's usage during the same month of the previous year,
  - b. The amount of usage during the preceding month.
3. Estimated bills will be issued only under the following conditions unless otherwise approved by the Commission:
  - a. When extreme weather conditions, emergencies, or work stoppages prevent actual meter readings.
  - b. Failure of a customer who reads his own meter to deliver his meter reading to the utility or Meter Reading Service Provider in accordance with the requirements of the utility or Meter Reading Service Provider billing cycle.
  - c. When the utility or Meter Reading Service Provider is unable to obtain access to the customer's premises for the purpose of reading the meter, or in situations where the customer makes it unnecessarily difficult to gain access to the meter, that is, locked gates, blocked meters, vicious or

dangerous animals, etc. If the utility or Meter Reading Service Provider is unable to obtain an actual reading for these reasons, it shall undertake reasonable alternatives to obtain a customer reading of the meter.

- d. Due to customer equipment failure, a 1-month estimation will be allowed. Failure to remedy the customer equipment condition will result in penalties for Meter Service Providers as imposed by the Commission.
  - e. To facilitate timely billing for customers using load profiles.
4. After the 3<sup>rd</sup> consecutive month of estimating the customer's bill due to lack of meter access, the utility or Meter Reading Service Provider will attempt to secure an accurate reading of the meter. Failure on the part of the customer to comply with a reasonable request for meter access may lead to discontinuance of service.
5. A utility or billing entity may not render a bill based on estimated usage if:
- a. The estimating procedures employed by the utility or billing entity have not been approved by the Commission.
  - b. The billing would be the customer's 1<sup>st</sup> or final bill for service.
  - ~~c. The customer is a direct access customer requiring load data.~~
  - d. The utility can obtain customer supplied meter readings to determine usage.
6. When a utility or billing entity renders an estimated bill in accordance with these rules, it shall:
- a. Maintain accurate records of the reasons therefore and efforts made to secure an actual reading;
  - b. Clearly and conspicuously indicate that it is an estimated bill and note the reason for its estimation.

B. Combining meters, minimum bill information

- 1. Each meter at a customer's premise will be considered separately for billing purposes, and the readings of 2 or more meters will not be combined unless otherwise provided for in the utility's tariffs. This provision does not apply in the case of aggregation of competitive services as described in A.A.C. R14-2-1601.

2. Each bill for residential service will contain the following minimum information:
  - a. The beginning and ending meter readings of the billing period, the dates thereof, and the number of days in the billing period;
  - b. The date when the bill will be considered due and the date when it will be delinquent, if not the same;
  - c. Billing usage, demand (if measured), basic monthly service charge and total amount due;
  - d. Rate schedule number or service offer;
  - e. Customer's name and service account number;
  - f. Any previous balance;
  - g. Fuel adjustment cost, where applicable;
  - h. License, occupation, gross receipts, franchise and sales taxes;
  - i. The address and telephone numbers of the Electric Service Provider, and the Utility Distribution Company designating where the customer may initiate an inquiry or complaint concerning the bill or services rendered;
  - j. The Arizona Corporation Commission address and toll free telephone numbers;
  - k. Other unbundled rates and charges.

C. Billing terms

1. All bills for utility services are due and payable no later than 15 days from the date of the bill. Any payment not received within this time-frame shall be considered delinquent and could incur a late payment charge.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
  - a. The postmark date;
  - b. The mailing date;
  - c. The billing date shown on the bill (however, the billing date shall not differ from the postmark or mailing date by more than 2 days);
  - d. The transmission date for electronic bills.
3. All delinquent bills shall be subject to the provisions of the utility's termination procedures.

4. All payments shall be made at or mailed to the office of the utility or to the utility's authorized payment agency or the office of the billing entity. The date on which the utility actually receives the customer's remittance is considered the payment date.

D. Applicable tariffs, prepayment, failure to receive, commencement date, taxes

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
2. Each utility or billing entity shall make provisions for advance payment of utility services.
3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
4. Charges for electric service commence when the service is actually installed and connection made, whether used or not. A minimum 1-month billing period is established on the date the service is installed (excluding landlord/utility special agreements).
5. Charges for services disconnected after 1 month shall be prorated back to the customer of record.

E. Meter error corrections

1. The utility or Meter Service Provider shall test a meter upon customer or the customer's Electric Service Provider, Utility Distribution company (as defined in A.A.C. R14-2-1601) or billing entity request and each utility or billing entity shall be authorized to charge the customer for such meter test according to the tariff on file approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee may be charged to the customer. If the meter is found to be more than 3% in error, either fast or slow, the correction of previous bills will be made under the following terms allowing the utility or billing entity to recover or refund the difference:
  - a. If the date of the meter error can be definitely fixed, the utility or billing entity shall adjust the customer's billings back to that date. If the customer has been underbilled, the utility or billing entity will allow the

customer to repay this difference over an equal length of time that the underbillings occurred. The customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.

- b. If it is determined that the customer has been overbilled and there is no evidence of meter tampering or energy diversion, the utility or billing entity will make prompt refunds in the difference between the original billing and the corrected billing within the next billing cycle.
2. No adjustment shall be made by the utility except to the customer last served by the meter tested.
3. Any underbilling resulting from a stopped or slow meter, utility or Meter Reading Service Provider meter reading error, or a billing calculation shall be limited to 3 months for residential customers and 6 months for non-residential customers. However, if an underbilling by the utility occurs due to inaccurate, false or estimated information from a 3<sup>rd</sup> party, then that utility will have a right to back bill that 3<sup>rd</sup> party to the point in time that may be definitely fixed, or 12 months. No such limitation will apply to overbillings.

F. Insufficient funds (NSF) or returned checks

1. A utility or billing entity shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for electric service with a check or other financial instrument which is returned by the customer's bank or other financial institution.
2. When the utility or billing entity is notified by the customer's bank or other financial institution that the check or financial instrument tendered for utility service will not clear, the utility or billing entity may require the customer to make payment in cash, by money order, certified check, or other means to guarantee the customer's payment.
3. A customer who tenders such a check or financial instrument shall in no way be relieved of the obligation to render payment to the utility or billing entity under the original terms of the bill nor defer the utility's provision of termination of service for nonpayment of bills.

G. Levelized billing plan

1. Each utility may, at its option, offer its ~~residential~~ customers a levelized billing plan.
2. Each utility offering a levelized billing plan shall develop, upon customer request, an estimate of the customer's levelized billing for a 12-month period based upon:
  - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations.
  - b. For new customers, the utility will estimate consumption based on the customer's anticipated load requirements.
  - c. The utility's tariff schedules approved by the Commission applicable to that customer's class of service.
3. The utility shall provide the customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a customer's monthly utility bill, and the utility's right to adjust the customer's billing for any variation between the utility's estimated billing and actual billing.
4. For those customers being billed under a levelized billing plan, the utility shall show, at a minimum, the following information on their monthly bill:
  - a. Actual consumption
  - b. Dollar amount due for actual consumption
  - c. Levelized billing amount due
  - d. Accumulated variation in actual versus levelized billing amount.
5. The utility may adjust the customer's levelized billing in the event the utility's estimate of the customer's usage or cost should vary significantly from the customer's actual usage or cost; such review to adjust the amount of the levelized billing may be initiated by the utility or upon customer request.

H. Deferred payment plan

1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.

2. Each deferred payment agreement entered into by the utility and the customer shall provide that service will not be discontinued if:
  - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
  - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
  - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed 6 months.
3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
  - a. Size of the delinquent account
  - b. Customer's ability to pay
  - c. Customer's payment history
  - d. Length of time that the debt has been outstanding
  - e. Circumstances which resulted in the debt being outstanding
  - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills. The customer's failure to execute such an agreement prior to the termination date will not prevent the utility from disconnecting service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules. Under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

I. Change of occupancy

1. To order service discontinued or to change occupancy, the customer must give the utility at least 3 working days advance notice in person, in writing, or by telephone.
2. The outgoing customer shall be responsible for all utility services provided or consumed up to the scheduled turnoff date.
3. The outgoing customer is responsible for providing access to the meter so that the utility may obtain a final meter reading.

~~R142-213. Conservation~~

~~Energy conservation plan~~

- ~~1. The Arizona Corporation Commission recognizes the need for conservation of energy resources in order to maintain an adequate and continuous supply of safe, dependable, and affordable energy. Therefore, in order to promote the state's economic development and the health and welfare of its citizenry, each class A and B electric utility shall file an energy conservation plan which encompasses at a minimum the following considerations:
  - ~~a. Development of consumer education and assistance programs to aid the populace in reducing energy consumption and cost.~~
  - ~~b. Participation in various energy conservation programs sponsored by other municipal, state or federal government entities having such jurisdiction.~~~~
- ~~2. Each utility shall file an energy conservation plan with the Commission within one year of the effective date of these rules and annual updates thereafter when changes require such.~~

## ARTICLE 16. RETAIL ELECTRIC COMPETITION

- R14-2-1601. Definitions
- R14-2-1602. Filing of Tariffs by Affected Utilities
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TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS  
AND ASSOCIATIONS; SECURITIES REGULATION  
CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES

ARTICLE 16. RETAIL ELECTRIC COMPETITION

R14-2-1601. Definitions

In this Article, unless the context otherwise requires:

1. “Affected Utilities” means the following public service corporations providing electric service:

Tucson Electric Power Company, Arizona Public Service Company, Citizens Utilities Company, Arizona Electric Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.
2. “Aggregator” means an Electric Service Provider that combines retail electric customers into a purchasing group.
3. “Bundled Service” means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
- ~~4. “Buy through” refers to a purchase of electricity by a Load Serving Entity at wholesale for a particular retail consumer or aggregate of consumers or at the direction of a particular retail consumer or aggregate of consumers.~~
- ~~54.~~ “Competition Transition Charge” (CTC) is a means of recovering Stranded Costs from the customers of competitive services.
- ~~65.~~ “Competitive Services” means all aspects of retail electric service except those services specifically defined as “noncompetitive services” pursuant to R14-2-1601(29).
- ~~76.~~ “Control Area Operator” is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to

maintain its interchange schedule with other such systems and contributing to frequency regulation of the interconnection.

87. "Consumer Information" is impartial information provided to consumers about competition or competitive and noncompetitive services and is distinct from advertising and marketing.
98. "Current Transformer" (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes.
109. "Direct Access Service Request" (DASR) means a form that contains all necessary billing and metering information to allow customers to switch electric service providers. This form must be submitted to the Utility Distribution Company by the customer's Electric Service Provider or ~~the customer~~ a self aggregator.
110. "Delinquent Accounts" means customer accounts with outstanding past due payment obligations that remain unpaid after the due date.
111. "Distribution Primary Voltage" is voltage as defined under the Affected Utility's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff, except for Meter Service Providers, for which Distribution Primary Voltage is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
112. "Distribution Service" means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes Metering Services, Meter Reading Services, and billing and collection services, as those terms are used herein.
113. "Electronic Data Interchange" (EDI) is the computer-to-computer electronic exchange of business documents using standard formats which are recognized both nationally and internationally.
114. "Electric Service Provider" (ESP) means a company supplying, marketing, or brokering at retail any of the competitive services described in R14-2-1605 or R14-2-1606, pursuant to a Certificate of Convenience and Necessity.

- ~~1615~~. "Electric Service Provider Service Acquisition Agreement" or "Service Acquisition Agreement" means a contract between an Electric Service Provider and a Utility Distribution Company to deliver power to retail end users or between an Electric Service Provider and a Scheduling Coordinator to schedule transmission service.
- ~~1716~~. "Generation" means the production of electric power or contract rights to the receipt of wholesale electric power.
- ~~1817~~. "Green Pricing" means a program ~~offered by an Electric Service Provider~~ where customers elect to pay a rate premium for solar-generated electricity or electricity generated by other renewable means.
- ~~1918~~. "Independent Scheduling Administrator" (ISA) is an ~~proposed~~ entity, independent of transmission owning organizations, intended to facilitate nondiscriminatory retail direct access using the transmission system in Arizona.
- ~~2019~~. "Independent System Operator" (ISO) is an independent organization whose objective is to provide nondiscriminatory and open transmission access to the interconnected transmission grid under its jurisdiction, in accordance with the Federal Energy Regulatory Commission principles of independent system operation.
- ~~2120~~. "Load Profiling" is a process of estimating a customer's hourly energy consumption based on measurements of similar customers.
- ~~2221~~. "Load-Serving Entity" means an Electric Service Provider, Affected Utility or Utility Distribution Company, excluding a Meter Service Provider, Meter Reading Service Provider or Aggregators.
- ~~2322~~. "Meter Reading Service" means all functions related to the collection and storage of consumption data.
- ~~2423~~. "Meter Reading Service Provider" (MRSP) means an entity providing Meter Reading Service, as that term is defined herein and that reads meters, performs validation, editing, and estimation on raw meter data to create billing-ready meter data; translates billing-ready data to an approved format; posts this data to a server for retrieval by billing agents; manages the server; exchanges data with market participants; and stores meter data for problem resolution.

2524. "Meter Service Provider" (MSP) means an entity providing Metering Service, as that term is defined herein.
2625. "Metering and Metering Service" means all functions related to measuring electricity consumption.
2726. "Must-Run Generating Units" are those units that are required to run to maintain distribution system reliability and meet load requirements in times of congestion on certain portions of the interconnected transmission grid.
2827. "Net Metering" or "Net Billing" is a method by which customers can use electricity from customer-sited solar electric generators to offset electricity purchased from an Electric Service Provider. The customer only pays for the "Net" electricity purchased.
2928. "Noncompetitive Services" means distribution service, Standard Offer service transmission and Federal Energy Regulatory Commission-required ancillary services, and these aspects of metering service set forth in R14-2-1613.K, or other services approved by the Commission as "noncompetitive." All components of Standard Offer service shall be deemed noncompetitive as long as those components are provided in a bundled transaction pursuant to R14-2-1606(A).
3029. "OASIS" is Open Access Same-Time Information System, which is an electronic bulletin board where transmission-related information is posted for all interested parties to access via the Internet to enable parties to engage in transmission transactions.
3130. "Operating Reserve" means the generation capability above firm system demand used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection to provide system reliability.
3231. "Potential Transformer" (PT) is an electrical device used to step down primary voltages to 120V for metering purposes.
3332. "Provider of Last Resort" means a provider of Standard Offer Service to customers within the provider's certificated area who are not buying competitive services.
3433. "Retail Electric Customer" means the person or entity in whose name service is rendered.

3534. "Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator, Independent Scheduling Administrator or Independent System Operator.

3635. "Self-Aggregation" is the action of a retail electric customer that combines its own metered loads into a single purchase block.

~~37. "Solar Electric Fund" is the funding mechanism established by this Article through which deficiency payments are collected and solar energy projects are funded in accordance with this Article.~~

3836. "Standard Offer" means Bundled Service offered by the Affected Utility or Utility Distribution Company to all consumers in the Affected Utility's or Utility Distribution Company's service territory at regulated rates including metering, meter reading, billing, collection services and other consumer information services.

3937. "Stranded Cost" includes:

- a. The verifiable net difference between:
  - i. The value of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to ~~December 26, 1996~~October 1, 1999, under traditional regulation of Affected Utilities; and
  - ii. The market value of those assets and obligations directly attributable to the introduction of competition under this Article;
- b. Reasonable costs necessarily incurred by an Affected Utility to effectuate divestiture of its generation assets;
- c. Reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided.

4038. "System Benefits" means Commission-approved utility low income, demand side management, market transformation, environmental, renewables, long-term public benefit research and development and nuclear fuel disposal and nuclear and non-

nuclear power plant decommissioning programs, or other programs approved by the Commission.

4139. "Transmission Primary Voltage" is voltage above 25 kV as it relates to metering transformers.
4240. "Transmission Service" refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so classified by the Arizona Corporation Commission.
4341. "Unbundled Service" means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, metering, meter reading, billing and collection and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.
4442. "Utility Distribution Company" (UDC) means the electric utility entity that constructs and maintains the distribution system for the delivery of power to the end user.
4543. "Utility Industry Group" (UIG) refers to a utility industry association that establishes national standards for data formats.
4644. "Universal Node Identifier" is a unique, permanent, identification number assigned to each service delivery point.

**R14-2-1604. Competitive Phases**

- A. Each Affected Utility shall make available at least 20% of its 1995 system retail peak demand for competitive generation supply on a first-come, first-served basis as further described in this rule. First-come, first-served for the purpose of this rule, shall be determined for non-residential customers by the date and time of an Electric Service Provider's filing of a Direct Access Service Request with the Affected Utility or Utility Distribution Company. The effective date of the Direct Access Service Request must be within 180 days of the filing date of the Direct Access Service Request. Residential customer selection will be determined under approved residential phase-in programs as specified in R14-2-1604.B.4.

1. All Affected Utility customers with ~~non-coincident peak~~minimum demand loads of 1 MW or greater will be eligible for competitive electric services no later than ~~January~~October 1, 1999. Customers meeting this requirement shall be eligible for competitive services until at least 20% of the Affected Utility's 1995 system peak demand is served by competition.
  2. During 1999 and 2000, an Affected Utility's customers with single ~~premise~~service point ~~non-coincident peak load~~minimum demands of 40 kW or greater aggregated into a combined load of 1 MW or greater within the Affected Utility's service territory will be eligible for competitive electric services. Self-aggregation is also allowed pursuant to the minimum and combined load demands set forth in this rule. If ~~peak~~ load data ~~are~~is not available, the 40 kW criterion shall be determined to be met if the customer's usage exceeded 16,500 kWh in any ~~month~~sixth months within the last 12 consecutive months. From ~~January~~October 1, 1999, through December 31, 2000, aggregation of new competitive customers will be allowed until such time as at least 20% of the Affected Utility's 1995 system peak demand is served by competitors. At that point all additional aggregated customers must wait until January 1, 2001 to obtain competitive service.
  3. Affected Utilities shall notify customers eligible under this subsection of the terms of the subsection no later than October 31, 1998.
- 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 with the following components:
1. A minimum of ~~1 1/4%~~1% of residential customers as of ~~January~~October 1, 1999 will have access to competitive electric services on ~~January~~October 1, 1999. The number of customers eligible for the residential phase-in program shall increase by an additional ~~1 1/4%~~1% every quarter until January 1, 2001.
  2. Access to the residential phase-in program will be on a first-come, first-served basis. The Affected Utility shall create and maintain a waiting list to manage the residential phase-in program.

3. Residential customers participating in the residential phase-in program shall be permitted to use load profiling to satisfy the requirements for hourly consumption data; however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission's rules on metering.
4. Each Affected Utility shall file a residential phase-in program proposal to the Commission for approval by Director, Utilities Division by September 15, 1998. Interested parties will have until September 29, 1998, to comment on any proposal. At a minimum, the residential phase-in program proposal will include specifics concerning the Affected Utility's proposed:
  - a. Process for customer notification of residential phase-in program;
  - b. Selection and tracking mechanism for customers based on first-come, first-served method;
  - c. Customer notification process and other education and information services to be offered;
  - d. Load Profiling methodology and actual load profiles, if available; and
  - e. Method for calculation of reserved load.
5. Each Affected Utility shall file ~~quarterly~~ semi-annual residential phase-in program reports within 45 days of the end of each ~~quarter~~ semi-annual period. The 1<sup>st</sup> such report shall be due within 45 days of the ~~quarter~~ semi-annual period ending ~~March 31, 1999~~ June 30, 2000. The final report due under this rule shall be due within 45 days of the ~~quarter~~ semi-annual period ending December 31, 2002. As a minimum, these ~~quarterly~~ semi-annual reports shall include:
  - a. The number of customers and the load currently enrolled in residential phase-in program by energy service provider;
  - b. The number of customers currently on the waiting list; and
  - c. A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs; and
  - d. ~~An overview of comments and survey results from participating residential customers.~~

- C. Each Affected Utility shall file a report by September 15, 1998, detailing possible mechanisms to provide benefits, such as rate reductions of 3% - 5%, to all Standard Offer customers.
- D. All customers shall be eligible to obtain competitive electric services no later than January 1, 2001, at which time all customers shall be permitted to aggregate, including aggregation across service territories.
- E. Subject to the minimum 20% limitation described in subsection (A) of this Section, all customers who produce or purchase at least 10% of their annual electricity consumption from photovoltaic or solar thermal electric resources installed in Arizona after January 1, 1997 shall be selected for participation in the competitive market if those customers apply for participation in the competitive market.
- F. Retail consumers served under existing contracts are eligible to participate in the competitive market prior to expiration of the existing contract only if the Affected Utility and the consumer agree that the retail consumer may participate in the competitive market.
- ~~G. A Load Serving Entity may, beginning January 1, 1999, engage in buy-throughs with individual or aggregated consumers. Any buy-through contract shall ensure that the consumer pays all non-bypassable charges that would otherwise apply. Any contract for a buy-through effective prior to January 1, 1999 must be approved by the Commission.~~

HG. Schedule Modifications for Cooperatives

1. An electric cooperative may request that the Commission modify the schedule described in R14-2-1604(A) through R14-2-1604(E) so as to preserve the tax exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.
2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.
3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

**R14-2-1605. Competitive Services**

A properly certificated Electric Service Provider may offer any of the following services under bilateral or multilateral contracts with retail consumers:

- A. Generation of electricity from generators at any location whether owned by the Electric Service Provider or purchased from another generator or wholesaler of electric generation.
- B. Any service described in R14-2-1606, except Noncompetitive services as defined by R14-2-1601.29 or Noncompetitive services as defined by the Federal Energy Regulatory Commission. Billing and collection services, information services, and self-aggregation services do not require a Certificate of Convenience and Necessity. ~~Aggregation of retail electric customers into a purchasing group is considered to be a competitive service.~~

**R14-2-1606. Services Required To Be Made Available**

- A. Each Affected Utility shall make available to all consumers in its service area, as defined on the date indicated in R14-2-1602, Standard Offer bundled generation, transmission, ancillary, distribution, and other necessary services at regulated rates. After January 1, 2001, Standard Offer service shall be provided by Utility Distribution Companies who shall also act as Providers of Last Resort.
- B. After January 1, 2001, power purchased by a Utility Distribution Company to serve Standard Offer customers, except purchases made through spot markets, shall be acquired through competitive bid. The UDC and the Commission may also consider alternatives to the competitive bid process. All purchase power costs shall be recovered through a purchased power adjustment mechanism approved by the Commission. ~~Any resulting contract in excess of 12 months shall contain provisions allowing the Utility Distribution Company to ratchet down its power purchases.~~ A Utility Distribution Company may request that the Commission modify any provision of this subsection for good cause.
- C. Standard Offer Tariffs.
  - 1. By the date indicated in R14-2-1602, each Affected Utility may file proposed tariffs to provide Standard Offer Bundled Service and such rates shall not become

effective until approved by the Commission. If no such tariffs are filed, rates and services in existence as of the date in R14-2-1602 shall constitute the Standard Offer.

2. Affected Utilities may file proposed revisions to such rates. It is the expectation of the Commission that the rates for Standard Offer service will not increase, relative to existing rates, as a result of allowing competition. Any rate increase proposed by an Affected Utility for Standard Offer service must be fully justified through a rate case proceeding.
  3. Such rates shall reflect the costs of providing the service.
  4. Consumers receiving Standard Offer service are eligible for potential future rate reductions authorized by the Commission, such as reductions authorized in Decision No. 59601.
- D. By the date indicated in R14-2-1602, each Affected Utility shall file Unbundled Service tariffs to provide the services listed below to the extent allowed by these rules to all eligible purchasers on a nondiscriminatory basis. Other entities seeking to provide any of these services must also file tariffs consistent with these rules:
1. Distribution Service;
  2. Metering and Meter Reading Services;
  3. Billing and collection services;
  4. Open access transmission service (as approved by the Federal Energy Regulatory Commission, if applicable);
  5. Ancillary services in accordance with Federal Energy Regulatory Commission Order 888 (III FERC Stats. & Regs. paragraph 31,036, 1996) incorporated herein by reference;
  6. Information services such as provision of customer information to other Electric Service Providers;
  7. Other ancillary services necessary for safe and reliable system operation.
- E. To manage its risks, an Affected Utility or Electric Service Provider may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.

- F. The Affected Utilities must provide transmission and ancillary services according to the following guidelines:
1. Services must be provided consistent with applicable tariffs filed with the Federal Energy Regulatory Commission.
  2. Unless otherwise required by federal regulation, Affected Utilities must accept power and energy delivered to their transmission systems by others and offer transmission and related services comparable to services they provide to themselves.
- G. Customer Data
1. Upon written authorization by the customer, a Load-Serving Entity shall release in a timely and useful manner that customer's demand and energy data for the most recent 12-month period to a customer-specified Electric Service Provider. Customers who request such data from a Load-Serving Entity may be charged a reasonable fee for such information.
  2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
  3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.
  4. Utility Distribution Companies shall be allowed access to the Meter Reading Service Provider server for customers served by the Utility Distribution Company's distribution system.
- H. Rates for Unbundled Services
1. The Commission shall review and approve rates for services listed in R14-2-1606(D) and requirements listed in R14-2-1606(E), where it has jurisdiction, before such services can be offered.
  2. Such rates shall reflect the costs of providing the services.
  3. Such rates may be downwardly flexible if approved by the Commission.
- I. Electric Service Providers offering services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided to this Commission.

R14-2-1607. Recovery of Stranded Cost of Affected Utilities

- A. The Affected Utilities shall take every reasonable, cost-effective measure to mitigate or offset Stranded Cost ~~by means such as expanding wholesale or retail markets, or offering a wider scope of services for profit, among others.~~
- B. The Commission shall allow a reasonable opportunity for recovery of unmitigated Stranded Cost by Affected Utilities.
- C. The Affected Utilities shall file estimates of unmitigated Stranded Cost. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.
- D. An Affected Utility shall request Commission approval, on or before August 21, 1998, of distribution charges or other means of recovering unmitigated Stranded Cost from customers who reduce or terminate service from the Affected Utility as a direct result of competition governed by this Article, or who obtain lower rates from the Affected Utility as a direct result of the competition governed by this Article.
- E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the Affected Utilities, staff, and intervenors, determine for each Affected Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:
  - 1. The impact of Stranded Cost recovery on the effectiveness of competition;
  - 2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;
  - 3. The impact, if any, on the Affected Utility's ability to meet debt obligations;
  - 4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
  - 5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;
  - 6. The degree to which some assets have values in excess of their book values;
  - 7. Appropriate treatment of negative Stranded Cost;
  - 8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;
  - 9. The ease of determining the amount of Stranded Cost;

10. The applicability of Stranded Cost to interruptible customers;
  11. ~~The amount of electricity generated by renewable generating resources owned by the Affected Utility~~ The impact of Stranded Cost recovery on shareholders of the Affected Utility.
- F. A Competitive Transition Charge (CTC) may be assessed only on customer purchases made in the competitive market using the provisions of this Article. Any reduction in electricity purchases from an Affected Utility resulting from ~~self-generation~~, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer. Any customer bypassing the Affected Utility's transmission and distribution system, for reasons other than bankruptcy or permanent closure, shall pay a fee to the Affected Utility that covers the customer's remaining Stranded Cost responsibility to the Affected Utility.
- G. Stranded Cost shall be recovered from customer classes in a manner consistent with the specific company's current rate treatment of the stranded asset, in order to effect a recovery of Stranded Cost that is in substantially the same proportion as the recovery of similar costs from customers or customer classes under current rates.
- H. The Commission may order an Affected Utility to file estimates of Stranded Cost and mechanisms to recover or, if negative, to refund Stranded Cost.
- I. The Commission may order regular revisions to estimates of the magnitude of Stranded Cost.
- J. The Commission may consider securitization as a financing method for recovery of Stranded Costs of the Affected Utility if the Commission finds that such method of financing will result in a lower cost alternative to customers.

**R14-2-1608. System Benefits Charges**

- A. By the date indicated in R14-2-1602, each Affected Utility or Utility Distribution Company shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's or Utility Distribution Companies' service area who participate in the competitive market. Affected Utilities or Utility Distribution Companies shall file for review of the Systems Benefits Charge every 3 years. The amount collected annually

through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Utility Distribution Companies' Commission-approved low income, demand side management, market transformation, Direct Access implementation costs, environmental, renewables, long-term public benefit research and development, and nuclear fuel disposal and nuclear and non-nuclear power plant decommissioning programs, and other programs approved by the Commission for inclusion in the System Benefits charge, in effect from time to time. ~~Now, the Commission will approve a solar water heater rebate program: \$200,000 to be allocated proportionally among the state's Utility Distribution Companies in 1999, \$400,000 in 2000, \$600,000 in 2001, \$800,000 in 2002, and \$1 million in 2003; the rebate will not be more than \$500 per system for Commission staff approved solar water heaters. After 2003, future Commissions may review this program for efficacy.~~

- B. Each Affected Utility or Utility Distribution Company shall provide adequate supporting documentation for its proposed rates for System Benefits.
- C. An Affected Utility or Utility Distribution Company shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.

**R14-2-1609. Solar Portfolio Standard**

The Commission will consider implementing a Solar Portfolio Standard for all Electric Service Providers selling electricity on or after January 1, 2001.

- ~~A. Starting on January 1, 1999, any Electric Service Provider selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least .2% of the total retail energy sold competitively from new solar energy resources, whether that solar energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources are those installed on or after January 1, 1997.~~
- ~~B. Starting January 1 of each year from 2000 through 2003, the solar resource requirement shall increase by .2% with the result that starting January 1, 2003, any Electric Service Provider selling electricity or aggregating customers for the purpose of selling electricity~~

~~under the provisions of this Article must derive at least 1.0% of the total retail energy sold competitively from new solar energy resources. The 1.0% requirement shall be in effect from January 1, 2003 through December 31, 2012.~~

~~C. The solar portfolio requirement shall only apply to competitive retail electricity in the years 1999 and 2000 and shall apply to all retail electricity in the years 2001 and thereafter.~~

~~D. Electric Service Providers shall be eligible for a number of extra credit multipliers that may be used to meet the solar portfolio standard requirements:~~

~~1. Early Installation Extra Credit Multiplier: For new solar electric systems installed and operating prior to December 31, 2003, Electric Service Providers would qualify for multiple extra credits for kWh produced for 5 years following operational start up of the solar electric system. The 5 year extra credit would vary depending upon the year in which the system started up, as follows:~~

<del>YEAR</del>	<del>EXTRA CREDIT MULTIPLIER</del>
<del>1997</del>	<del>.5</del>
<del>1998</del>	<del>.5</del>
<del>1999</del>	<del>.5</del>
<del>2000</del>	<del>.4</del>
<del>2001</del>	<del>.3</del>
<del>2002</del>	<del>.2</del>
<del>2003</del>	<del>.1</del>

~~The Early Installation Extra Credit Multiplier would end in 2003.~~

~~2. Solar Economic Development Extra Credit Multipliers: There are 2 equal parts to this multiplier, an in state installation credit and an in state content multiplier.~~

~~a. In State Power Plant Installation Extra Credit Multiplier: Solar electric power plants installed in Arizona shall receive a .5 extra credit multiplier.~~

~~b. In State Manufacturing and Installation Content Extra Credit Multiplier: Solar electric power plants shall receive up to a .5 extra credit multiplier related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit~~

~~multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is .8 X .5).~~

~~3. Distributed Solar Electric Generator and Solar Incentive Program Extra Credit~~

~~Multiplier: Any distributed solar electric generator that meets more than 1 of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.~~

~~a. Solar electric generators installed at or on the customer premises in Arizona. Eligible customer premises locations will include both grid-connected and remote, non-grid connected locations. In order for Electric Service Providers to claim an extra credit multiplier, the Electric Service Provider must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.~~

~~b. Solar electric generators located in Arizona that are included in any Electric Service Provider's Green Pricing program.~~

~~c. Solar electric generators located in Arizona that are included in any Electric Service Provider's Net Metering or Net Billing program.~~

~~d. Solar electric generators located in Arizona that are included in any Electric Service Provider's solar leasing program.~~

~~e. All Green Pricing, Net Metering, Net Billing, and Solar Leasing programs must have been reviewed and approved by the Director, Utilities Division in order for the Electric Service Provider to accrue extra credit multipliers from this subsection.~~

~~4. All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if an Electric Service Provider qualifies for a 2.0 extra credit multiplier and it produces 1 solar kWh, the Electric Service Provider would get credit for 3 solar kWh (1 produced plus 2 extra credit).~~

~~E. Electric Service Providers selling electricity under the provisions of this Article shall provide reports on sales and solar power as required in this Article, clearly demonstrating~~

~~the output of solar resources, the installation date of solar resources, and the transmission of energy from those solar resources to Arizona consumers. The Commission may conduct necessary monitoring to ensure the accuracy of these data.~~

~~F. If an Electric Service Provider selling electricity under the provisions of this Article fails to meet the requirement in R14 2 1609(A) or (B) in any year, the Commission shall impose a penalty on that Electric Service Provider that the Electric Service Provider pay an amount equal to 304 per kWh to the Solar Electric Fund for deficiencies in the provision of solar electricity. This Solar Electric Fund will be established and utilized to purchase solar electric generators or solar electricity in the following calendar year for the use by public entities in Arizona such as schools, cities, counties, or state agencies. Title to any equipment purchased by the Solar Electric Fund will be transferred to the public entity. In addition, if the provision of solar energy is consistently deficient, the Commission may void an Electric Service Provider's contracts negotiated under this Article.~~

~~1. The Director, Utilities Division shall establish a Solar Electric Fund in 1999 to receive deficiency payments and finance solar electricity projects.~~

~~2. The Director, Utilities Division shall select an independent administrator for the selection of projects to be financed by the Solar Electric Fund. A portion of the Solar Electric Fund shall be used for administration of the Fund and a designated portion of the Fund will be set aside for ongoing operation and maintenance of projects financed by the Fund.~~

~~G. Photovoltaic or solar thermal electric resources that are located on the consumer's premises shall count toward the solar portfolio standard applicable to the current Electric Service Provider serving that consumer.~~

~~II. Any solar electric generators installed by an Affected Utility to meet the solar portfolio standard shall be counted toward meeting renewable resource goals for Affected Utilities established in Decision No. 58643.~~

~~I. Any Electric Service Provider or independent solar electric generator that produces or purchases any solar kWh in excess of its annual portfolio requirements may save or bank those excess solar kWh for use or sale in future years. Any eligible solar kWh produced subject to this rule may be sold or traded to any Electric Service Provider that is subject~~

~~to this rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Electric Service Provider that is using the purchased kWh to meet its portfolio requirements.~~

~~J. Solar portfolio standard requirements shall be calculated on an annual basis, based upon electricity sold during the calendar year.~~

~~K. An Electric Service Provider shall be entitled to receive a partial credit against the solar portfolio requirement if the Electric Service Provider or its affiliate owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona and sold in a calendar year times 2,190 hours (approximating a 25% capacity factor).~~

~~1. The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:~~

<del>1999</del>	<del>Maximum of 50 % of the portfolio requirement</del>
<del>2000</del>	<del>Maximum of 50 % of the portfolio requirement</del>
<del>2001</del>	<del>Maximum of 25 % of the portfolio requirement</del>
<del>2002</del>	<del>Maximum of 25 % of the portfolio requirement</del>
<del>2003 and on</del>	<del>Maximum of 20 % of the portfolio requirement</del>

~~2. No extra credit multipliers will be allowed for this credit. In order to avoid double counting of the same equipment, solar electric generators that are used by other Electric Service Providers to meet their Arizona solar portfolio requirements will not be allowable for credits under this Section for the manufacturer/Electric Service Provider to meet its portfolio requirements.~~

~~L. The Director, Utilities Division shall develop appropriate safety, durability, reliability, and performance standards necessary for solar generating equipment to qualify for the solar portfolio standard. Standards requirements will apply only to facilities constructed or acquired after the standards are publicly issued.~~

**R14-2-1610. Transmission and Distribution Access**

A. The Affected Utilities shall provide non-discriminatory open access to transmission and distribution facilities to serve all customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the

Affected Utility's Standard Offer or in the competitive market. Any transmission capacity that is reserved for use by the retail customers of the Affected Utility's Utility Distribution Company shall be allocated among Standard Offer customers and competitive market customers on a pro-rata basis in accordance with FERC Orders 888 and 889.

- B. The Commission supports the development of an Independent System Operator (ISO) or, absent an Independent System Operator, an Independent Scheduling Administrator (ISA).
- C. The Commission believes that an Independent Scheduling Administrator is necessary in order to provide non-discriminatory retail access and to facilitate a robust and efficient electricity market. Therefore, those Affected Utilities that own or operate Arizona transmission facilities shall file with the Federal Energy Regulatory Commission by October 31, 1998 for approval of an Independent Scheduling Administrator having the following characteristics:
  - 1. The Independent Scheduling Administrator shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Independent Scheduling Administrator participants, ~~and~~ The ISA shall develop and operate an overarching statewide OASIS -if the ISA determines that this is necessary to achieve its dates.
  - 2. The Independent Scheduling Administrator shall implement and oversee the non-discriminatory application of protocols to ensure statewide consistency for transmission access. These protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, and Must-Run Generating Units.
  - 3. The Independent Scheduling Administrator shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use and curtailment of transmission services.
  - 4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Independent Scheduling Administrator

participants shall be made to, or through, the Independent Scheduling Administrator using a single, standardized procedure.

- D. The Affected Utilities that own or operate Arizona transmission facilities shall file a proposed Independent Scheduling Administrator implementation plan with the Commission by September 1, 1998. The implementation plan shall address Independent Scheduling Administrator governance, incorporation, financing and staffing; the acquisition of physical facilities and staff by the Independent Scheduling Administrator; the schedule for the phased development of Independent Scheduling Administrator functionality; contingency plans to ensure that critical functionality is in place by October 1, January 1, 1999; and any other significant issues related to the timely and successful implementation of the Independent Scheduling Administrator.
- E. Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System Operator, to which the Independent Scheduling Administrator should transfer its relevant assets and functions as the Independent System Operator becomes able to carry out those functions.
- F. It is the intent of the Commission that prudently-incurred costs incurred by the Affected Utilities in the establishment and operation of the Independent Scheduling Administrator, and subsequently the Independent System Operator, should be recovered from customers using the transmission system, including the Affected Utilities' wholesale customers, Standard Offer retail customers, and competitive retail customers on a non-discriminatory basis through Federal Energy Regulatory Commission-regulated prices. Proposed rates for the recovery of such costs shall be filed with the Federal Energy Regulatory Commission and the Commission. In the event that the Federal Energy Regulatory Commission does not permit recovery of prudently incurred Independent Scheduling Administrator costs within 90 days of the date of making an application with the Federal Energy Regulatory Commission, the Commission ~~shall~~ may authorize Affected Utilities to recover such prudently incurred costs through a distribution surcharge.
- G. The Commission ~~supports~~ requires the use of "Scheduling Coordinators" to provide aggregation of customers' schedules to the Independent Scheduling Administrator and the respective Control Area Operators simultaneously until the implementation of a

regional Independent System Operator, at which time the schedules will be submitted to the Independent System Operator. The primary duties of Scheduling Coordinators are to:

1. Forecast their customers' load requirements;
2. Submit balanced schedules (that is, schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission losses) and North American Electric Reliability Council/Western Systems Coordinating Council tags;
3. Arrange for the acquisition of the necessary transmission and ancillary services;
4. Respond to contingencies and curtailments as directed by the Control Area Operators, Independent Scheduling Administrator or Independent System Operator;
5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, Independent Scheduling Administrator or Independent System Operator.

H. The Affected Utilities shall provide services from the Must-Run Generating Units to Standard Offer retail customers and competitive retail customers on a comparable, non-discriminatory basis at regulated prices. The Affected Utilities shall specify the obligations of the Must-Run Generating Units in appropriate sales contracts prior to any divestiture. Under auspices of the ~~Electric System Reliability and Safety Working Group~~ ISA, the Affected Utilities and other stakeholders shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units, ~~with input from other stakeholders~~. These protocols shall be presented to the Commission for review and filed with the Federal Energy Regulatory Commission, if necessary, ~~October 31, 1998~~ June 30, 1999.

I. Affected Utilities, in conjunction with the ISA, shall identify statewide services to be settled on and develop pricing mechanisms to assure a consistent settlement process.

#### R14-2-1612. Rates

~~A. Market determined rates for competitively provided services as defined in R14 2-1605 shall be deemed to be just and reasonable.~~

- BA. Each Electric Service Provider selling services under this Article shall have on file with the Commission tariffs describing such services and maximum rates for those services, but the services may not be provided until the Commission has approved the tariffs.
- CB. Prior to the date indicated in R14-2-1604(D), competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is 1 year or more and for service of 1 MW or more must be filed with the Director, Utilities Division as soon as practicable. If a contract does not comply with the provisions of this Article and the Affected Utility's or Electric Service Provider's approved tariffs, it shall not become effective without a Commission order. Such contracts shall be kept confidential by the Commission.
- DC. Contracts entered into on or after the date indicated in R14-2-1604(D) which comply with approved tariffs need not be filed with the Director, Utilities Division. If a contract does not comply with the provisions of this Article and the Affected Utility's or the Electric Service Provider's approved tariffs it shall not become effective without a Commission order.
- ED. An Electric Service Provider holding a Certificate pursuant to this Article may price its competitive services, as defined in R14-2-1605, at or below the maximum rates specified in its filed tariff, provided that the price is not less than the marginal cost of providing the service.
- FE. Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may be filed. Such changes become effective only upon Commission approval.

**R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements**

- A. Except as indicated elsewhere in this Article, R14-2-201 through R14-2-212, inclusive, are adopted in this Article by reference. However, where the term "utility" is used in R14-2-201 through R14-2-212, the term "utility" shall pertain to Electric Service Providers providing the services described in each paragraph of R14-2-201 through R14-2-212. R14-2-203(E) and R14-2-212(H) shall pertain only to Utility Distribution Companies.

- B. The following shall not apply to this Article:
1. R14-2-202 in its entirety,
  2. R14-2-206 in its entirety,
  3. R14-2-207 in its entirety,
  4. R14-2-212 (F)(1),
  5. R14-2-213,
  6. R14-2-208(E) and (F).
- C. No consumer shall be deemed to have changed providers of any service authorized in this Article (including changes from supply by the Affected Utility to another provider) without written authorization by the consumer for service from the new provider. If a consumer is switched (or slammed) to a different ("new") provider without such written authorization, the new provider shall cause service by the previous provider to be resumed and the new provider shall bear all costs associated with switching the consumer back to the previous provider. A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. UDC has the right to review or audit written authorizations to assure a customer switch was properly authorized. Providers shall submit reports within 30 days of the end of each calendar ~~quarter~~ semi-annual period to the Commission itemizing the direct complaints filed by customers who have had their Electric Service Providers changed without their authorization. Violations of the Commission's rules concerning unauthorized changes of providers may result in penalties, or suspension or revocation of the provider's certificate.
- D. A customer with an annual load of 100,000 kWh or less may rescind its authorization to change providers of any service authorized in this Article within 3 business days, without penalty, by providing written notice to the provider.
- E. Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. Utility Distribution Companies shall make reasonable efforts to notify customers of scheduled outages, and also provide notification to the Commission.
- F. Each Electric Service Provider shall provide at least 45 days notice to all of its affected consumers of its intent to cease providing generation, transmission, distribution, or

ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.

- G. All Electric Service Providers rendering service under this Article shall submit accident reports as required in R14-2-101.
- H. An Electric Service Provider providing firm electric service governed by this Article shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur and shall work cooperatively with other companies to ensure timely restoration of service where facilities are not under the control of the Electric Service Provider.
- I. Electric Service Providers shall give at least 5 days notice to their customer and to the appropriate Utility Distribution Company of scheduled return to the Standard Offer, but that return of that customer to the Standard Offer would be at the next regular billing cycle. Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the Electric Service Provider.
- J. Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and toll free telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll free telephone numbers for the Phoenix ~~and or~~ Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services rendered on its behalf comply with R14-2-1613(A).
- K. Additional Provisions for Metering and Meter Reading Services
  - 1. An Electric Service Provider who provides metering or meter reading services pertaining to a particular consumer shall provide access using EDI formats to meter reading data to other Electric Service Providers and/or UDCs serving that same consumer when authorized by the consumer.
  - 2. Any person or entity relying on metering information provided by another Electric Service Provider may request a meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged.

3. Each competitive customer shall be assigned a Universal Node Identifier for each service delivery point by the Affected Utility or the Utility Distribution Company whose distribution system serves the customer.
4. All competitive metered and billing data shall be translated into consistent, statewide Electronic Data Interchange (EDI) formats based on standards approved by the Utility Industry Group (UIG) that can be used by the Affected Utility or the Utility Distribution Company and the Electric Service Provider.
5. An Electronic Data Interchange Format shall be used for all data exchange transactions from the Meter Reading Service Provider to the Electric Service Provider, Utility Distribution Company, and Schedule Coordinator. This data will be transferred via the Internet using a secure sockets layer or other secure electronic media.
6. Minimum metering requirements for competitive customers over 20 kW, or 100,000 kWh annually, ~~should~~ shall consist of hourly consumption measurement meters or meter systems.
7. Competitive customers with hourly loads of 20 kW (or 100,000 kWh annually) or less, will be permitted to use Load Profiling to satisfy the requirements for hourly consumption data.
8. Meter ownership will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider or their representative, or the customer, who obtains the meter from the Affected Utility, or Utility Distribution Company or an Electric Service Provider.
9. Maintenance and servicing of the metering equipment will be limited to the Affected Utility, Utility Distribution Company and the Electric Service Provider or their representative.
10. Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, Utility Distribution Company or the Electric Service Provider or their representative.
11. Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility or Utility Distribution Company only.

12. North American Electric Reliability Council recognized holidays will be used in calculating "working days" for meter data timeliness requirements.
13. The operating procedures approved by the Director, Utilities Division will be used by the Utility Distribution Companies and the Meter Service Providers for performing work on primary metered customers.
14. The rules approved by the Director, Utilities Division will be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.
15. The performance metering specifications and standards approved by the Director, Utilities Division will be used by all entities performing metering.

L. Working Group on System Reliability and Safety

1. The Commission shall establish, by separate order, a working group to monitor and review system reliability and safety.
  - a. The working group may establish technical advisory panels to assist it.
  - b. Members of the working group shall include representatives of staff, consumers, the Residential Utility Consumer Office, utilities, other Electric Service Providers and organizations promoting energy efficiency. In addition, the Executive and Legislative Branches shall be invited to send representatives to be members of the working group.
  - c. The working group shall be coordinated by the Director, Utilities Division of the Commission or by the Director's designee.
2. All Electric Service Providers governed by this Article shall cooperate and participate in any investigation conducted by the working group, including provision of data reasonably related to system reliability or safety.
3. The working group shall report to the Commission on system reliability and safety regularly, and shall make recommendations to the Commission regarding improvements to reliability or safety.

M. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.

- N. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.
- O. Unbundled Billing Elements. All customer bills after ~~January~~ October 1, 1999 will list, at a minimum, the following billing cost elements:
1. Electricity Costs:
    - a. Generation,
    - b. Competition Transition Charge, and
    - c. Fuel or purchased power adjustor, if applicable
  2. Delivery costs:
    - a. Distribution services,
    - b. Transmission services, and
    - c. Ancillary services
  3. Other Costs:
    - a. Metering Service,
    - b. Meter Reading Service,
    - c. Billing and collection, and
    - d. System Benefits charge
- P. The operating procedures approved by the Director, Utilities Division will be used for Direct Access Service Requests as well as other billing and collection transactions.

**R14-2-1614. Reporting Requirements**

- A. Reports covering the following items, as applicable, shall be submitted to the Director, Utilities Division by Affected Utilities or Utility Distribution Companies and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:
1. Type of services offered;
  2. kW (if applicable and available) and kWh sales to consumers, disaggregated by customer class (for example, residential, commercial, industrial);
  3. ~~Solar energy sales (kWh) and sources for grid connected solar resources; kW capacity for off-grid solar resources;~~

43. Revenues from sales by customer class (for example, residential, commercial, industrial);
54. Number of retail customers disaggregated as follows: ~~residential, commercial under 40 kW, commercial 41 to 999 kW, commercial 1000 kW or more, industrial less than 1000 kW, industrial 1000 kW or more, agricultural (if not included in commercial), and other;~~
6. ~~Retail kWh sales and revenues disaggregated by term of the contract (less than 1 year, 1 to 4 years, longer than 4 years), and by type of service (for example, firm, interruptible, other);~~
7. ~~Amount of and revenues from each service provided under R14-2-1605, and, if applicable, R14-2-1606;~~
8. ~~Value of all assets used to serve Arizona customers and accumulated depreciation;~~
9. ~~Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;~~
405. The number of customers aggregated and the amount of aggregated load;
446. Other data requested by staff or the Commission;
427. In addition, prior to the date indicated in R14-2-1604(D), Affected Utilities shall provide data demonstrating compliance with the requirements of R14-2-1604.

B. Reporting Schedule

1. For the period through December 31, 2003, semi-annual reports shall be due on April 15 (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The 1st such report shall cover the period ~~January~~ October 1 through June 30, ~~1999~~ 2000.
2. For the period after December 31, 2003, annual reports shall be due on April 15 (covering the previous period of January through December). The 1st such report shall cover the period January 1 through December 31, 2004.

- C. The information listed above may be provided on a confidential basis. However, staff or the Commission may issue reports with aggregate statistics based on confidential

information that do not disclose data pertaining to a particular seller or purchases by a particular buyer.

- D. Any Electric Service Provider governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.
- E. Any Electric Service Provider holding a Certificate pursuant to this Article shall report to the Director of the Utilities Division the discontinuation of any competitive tariff as soon as practicable after the decision to discontinue offering service is made.
- F. In addition to the above reporting requirements, Electric Service Providers governed by this Article shall participate in Commission workshops or other forums whose purpose is to evaluate competition or assess market issues.
- G. Reports filed under the provisions of this section shall be submitted in written format and in electronic format. Electric Service Providers shall coordinate with the Commission staff on formats.

**R14-2-1616. Separation of Monopoly and Competitive Services**

- A. All competitive generation assets and competitive services shall be separated from an Affected Utility prior to January 1, ~~2001~~2003. Such separation shall either be to an unaffiliated party or to a separate corporate affiliate or affiliates. If an Affected Utility chooses to transfer its competitive generation assets or competitive services to a competitive electric affiliate, such transfer shall be at a value determined by the Commission to be fair and reasonable. If, however, the Affected Utility is unable to comply with this provision due to lease, bond or other financial or contractual covenants or restrictions, the Affected Utility may apply for a waiver.
- B. Beginning ~~January~~October 1, 1999, an Affected Utility or Utility Distribution Company shall not provide competitive services as defined herein, except as otherwise authorized by these rules or by the Commission. However, this rule does not preclude an Affected Utility's or Utility Distribution Company's affiliate from providing competitive services. Nor does this rule preclude an Affected Utility or Utility Distribution Company from billing its own customers for distribution service, or from providing billing services to Electric Service Providers in conjunction with its own billing or from providing meters for Load Profiled residential customers. Nor does this rule require an Affected Utility or

Utility Distribution Company to separate such assets or services utilized in these circumstances. Affected Utilities and Utility Distribution Companies shall provide, if requested by an Electric Service Provider or customer, metering, meter reading, billing, and collection services within their service territories at tariffed rates to customers that do not have access to these services during the years 1999 and 2000, subject to the following limitations. The Affected Utilities and Utility Distribution Companies shall be allowed to continue to provide metering and meter reading services to competitive customers within their service territories at tariffed rates, ~~until such time as 2 or more competitive Electric Service Providers are offering such services to a particular customer class. When 2 competitive Electric Service Providers are providing such services to a particular customer class, the Affected Utilities and Utility Distribution Companies will no longer be allowed to offer the service to new competitive customers in that customer class, but may continue to offer the service through December 31, 2000, to the existing competitive customers signed up prior to the commencement of service by the 2 competitive Electric Service Providers.~~

- C. An Electric Distribution Cooperative is not subject to the provisions of R14-2-1616 except if it offers competitive electric services outside of the service territory it had as of the effective date of these rules. Generation Cooperatives shall be subject to the same limitations that its member Distribution Cooperatives are subject to.
- D. To meet ~~the any potential~~ solar portfolio requirement the Commission may determine in R14-2-1609, the Utility Distribution Company may purchase, install, and operate the solar electric systems or contract with an affiliate to meet the solar portfolio requirement.

**R14-2-1617. Affiliate Transactions**

**A. Separation**

An Affected Utility or Utility Distribution Company and its affiliates shall operate as separate corporate entities. Books and records shall be kept separate, in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP). The books and records of any Electric Service Provider that is an affiliate of an Affected Utility or Utility Distribution Company shall be open for examination by the Commission and its staff consistent with the provisions set forth in R14-2-1614. All proprietary information shall remain confidential.

- ~~1. An Affected Utility or Utility Distribution Company shall not share office space, equipment, services, and systems with its competitive electric affiliates, nor access any computer or information systems of one another, except to the extent appropriate to perform shared corporate support functions permitted under subsection (A)(2). An Affected Utility or Utility Distribution Company shall not share office space, equipment, services, and systems with its other affiliates without full compensation in accordance with subsection (A)(7).~~
21. An Affected Utility or Utility Distribution Company, its parent holding company, or a separate affiliate created solely for the purpose of corporate support functions, may share with its affiliates joint corporate oversight, governance, support systems and personnel. Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements. An Affected Utility or Utility Distribution Company shall not use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates, and shall provide mechanisms and safeguards against such activity in its compliance plan.
32. An affiliate of an Affected Utility or Utility Distribution Company shall not trade, promote, or advertise its affiliation with the Affected Utility or Utility Distribution Company, nor use or make use of the Affected Utility's name or logo in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first instance the Affected Utility or Utility Distribution Company name or logo appears, that:
- a. The affiliate is not the same company as the Affected Utility or Utility Distribution Company, and
  - b. Customers do not have to buy the affiliate product in order to continue to receive quality regulated services from the Affected Utility or Utility Distribution Company.

43. An Affected Utility or Utility Distribution Company shall not offer or provide to its affiliates advertising space in any customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.
54. An Affected Utility or Utility Distribution Company shall not participate in joint advertising, marketing or sales with its affiliates. Any joint communication and correspondence with an existing customer by an Affected Utility or Utility Distribution Company and its affiliate shall be limited to consolidated billing, when applicable, and in accordance with these rules.
65. Except as provided in subsection A(21), an Affected Utility or Utility Distribution Company and its affiliate shall not jointly employ the same employees. This rule applies to Board of Directors and corporate officers. Because Directors and Officers of a holding company are charged with the success of all of the holding company's subsidiaries, they may also serve as Directors or Officers of all affiliated subsidiaries, provided that adequate procedures are in effect to prevent the transfer of information in violation of these rules. ~~However, any board member or corporate officer of a holding company may also serve in the same capacity with the Affected Utility or Utility Distribution Company, or its affiliate, but not both.~~ Where the Affected Utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for its affiliates, the prohibition outlined in this section shall only apply to affiliates that operate within Arizona.
76. Transfer of Goods and Services: To the extent that these rules do not prohibit transfer of goods and services between an Affected Utility or Utility Distribution Company and its affiliates, all such transfers shall be subject to the following price provisions:
- a. Goods and services provided by an Affected Utility or Utility Distribution Company to an affiliate shall be transferred at the price and under the terms and conditions specified in its tariff. If the goods or service to be transferred is a non-tariffed item, the transfer price shall be no lower than ~~the higher of fully allocated cost or the market price.~~ Transfers from an

affiliate to its affiliated Utility Distribution Company shall be priced no higher than at the lower of fully allocated cost or fair market value.

- b. Goods and services produced, purchased or developed for sale on the open market by the Affected Utility or Utility Distribution Company will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise permitted by these rules or applicable law.

§7. No Cross-subsidization: A competitive affiliate of an Affected Utility or Utility Distribution Company shall not be subsidized by any rate or charge for any noncompetitive service, and shall not be provided access to confidential utility information.

B. Access to Information

As a general rule, an Affected Utility, Utility Distribution Company or Electric Service Provider shall provide customer information to its affiliates and nonaffiliates on a non-discriminatory basis, provided prior affirmative customer written consent is obtained. Any non-customer specific non-public information shall be made contemporaneously available by an Affected Utility, Utility Distribution Company or Electric Service Provider to its affiliates and all other service providers on the same terms and conditions.

C. An Affected Utility or Utility Distribution Company shall adhere to the following guidelines:

1. Any list of Electric Service Providers provided by an Affected Utility or Utility Distribution Company to its customers which includes or identifies the Affected Utility's or Utility Distribution Company's competitive electric affiliates must include or identify non-affiliated entities included on the list of those Electric Service Providers authorized by the Commission to provide service within the Affected Utility's or Utility Distribution Company's certificated area. The Commission shall maintain an updated list of such Electric Service Providers and make that list available to Affected Utilities or Utility Distribution Companies at no cost.
2. An Affected Utility or Utility Distribution Company may provide non-public supplier information and data, which it has received from unaffiliated suppliers, to

its affiliates or nonaffiliated entities only if the Affected Utility or Utility Distribution Company receives prior authorization from the supplier.

3. Except as otherwise provided in these rules, an Affected Utility or Utility Distribution Company shall not offer or provide customers advice, which includes promoting, marketing or selling, about its affiliates or other service providers.
4. An Affected Utility or Utility Distribution Company shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions and all discounts. These records shall be maintained for a period of 3 years, or longer if required by this Commission or another governmental agency.

D. Nondiscrimination

An Affected Utility or Utility Distribution Company, or their affiliates shall not represent that, as a result of the affiliation, customers of such affiliates will receive any treatment different from that provided to other, non-affiliated entities or their customers. An Affected Utility, Utility Distribution Company or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services. For example:

1. Except when made generally available by an Affected Utility, Utility Distribution Company or their affiliates, through an open competitive bidding process, if the Affected Utility, Utility Distribution Company or their affiliates offers a discount or waives all or any part of any charge or fee to its affiliates, or offers a discount or waiver for a transaction in which their affiliates are involved, the entity shall contemporaneously make such discount or waiver available to all.
2. If a tariff provision allows for discretion in its application, an Affected Utility or Utility Distribution Company shall apply that provision equally among its affiliates and all other market participants and their respective customers.
3. Requests from affiliates and non-affiliated entities and their customers for services provided by the Affected Utility or Utility Distribution Company shall be processed on a nondiscriminatory basis.
4. An Affected Utility or Utility Distribution Company shall not condition or otherwise tie the provision of any service provided, nor the availability of

discounts of rates or other charges or fees, rebates or waivers of terms and conditions of any services, to the taking of any goods or services from its affiliates.

5. In the course of business development and customer relations, except as otherwise provided in these rules, an Affected Utility or Utility Distribution Company shall refrain from:
  - a. Providing leads to its affiliates;
  - b. Soliciting business on behalf of affiliates;
  - c. Acquiring information on behalf of, or provide information to, its affiliates;
  - d. Sharing market analysis reports or any non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates.

E. Compliance Plans

No later than ~~December 31, 1998~~ September 30, 1999, each Affected Utility or Utility Distribution Company shall file a compliance plan demonstrating the procedures and mechanisms implemented to ensure that activity prohibited by these rules will not take place. The compliance plan shall be submitted to the Director, Utilities Division and shall be in effect until a determination is made regarding its compliance under these rules. The compliance plan shall thereafter be submitted annually to reflect any material changes. An Affected Utility or Utility Distribution shall have a performance audit prepared by an independent auditor in the 1<sup>st</sup> quarter semi-annual period after the end of each calendar year to examine compliance with the rules set forth herein, starting no later than the calendar year 1999, and every year thereafter until December 31, 2002. Such audits shall be filed with the Director, Utilities Division. After December 31, 2002 the Director, Utilities Division may request a Utility Distribution Company to conduct such an audit.

F. Waivers

1. Any affected entity may petition the Commission for a waiver by filing a verified application for waiver setting forth with specificity the circumstances whereby the public interest justifies a waiver from all or part of the provisions of this rule.

2. The Commission may grant such application upon a finding that a waiver is in the public interest.

G. R14-2-1617 shall apply to all Electric Service Providers that have a Utility Distribution Company as an affiliate, regardless of where such affiliate is located.

#### R14-2-1618 Disclosure of Information

~~A. There are efforts under the auspices of the Western Conference of Public Service Commissioners to develop a tracking mechanism as to the source of electrons. To facilitate customer choice, the Commission intends to participate in developing this tracking mechanism and a side by side comparison for retail customers on price, price variability, fuel mix, and emissions of electricity offered for sale in Arizona and the West. Until this is accomplished, R14-2-1618 is a placeholder.~~

~~B. Each Load Serving Entity shall prepare a consumer information label that sets forth the following information for customers with a demand of less than 1 MW:~~

- ~~1. Price to be charged for generation services;~~
- ~~2. Price variability information;~~
- ~~3. Customer service information;~~
- ~~4. Composition of resource portfolio;~~
- ~~5. Fuel mix characteristics of the resource portfolio;~~
- ~~6. Emissions characteristics of the resource portfolio;~~
- ~~7. Time period to which the reported information applies.~~

~~C. The Director, Utilities Division shall develop the format and reporting requirements for the consumer information label to ensure that the information required by subsection (A) is appropriately and accurately reported and to ensure that customers can use the labels for comparisons among Load Serving Entities. The format developed by the Director, Utilities Division shall be used by each Load Serving Entity.~~

~~D. Each Load Serving Entity shall include the information disclosure label in a prominent position in all written marketing materials, specifically target to Arizona. When a Load Serving Entity advertises in non print media, or in written materials not specifically target to Arizona, the marketing materials shall indicate that the Load Serving Entity shall provide the consumer information label to the public upon request.~~

~~E. Each Load Serving Entity shall prepare an annual disclosure report that aggregates the resource portfolios of the Load Serving Entity and its affiliates.~~

FA. Each Load-Serving Entity shall prepare a statement of its terms of service that sets forth the following information:

1. Actual pricing structure or rate design according to which the customer with a load of less than 1 MW will be billed, including an explanation of price variability and price level adjustments that may cause the price to vary;
2. Length and description of the applicable contract and provisions and conditions for early termination by either party;
3. Due date of bills and consequences of late payment;
4. Conditions under which a credit agency is contacted;
5. Deposit requirements and interest on deposits;
6. Limits on warranties and damages;
7. All charges, fees, and penalties;
8. Information on consumer rights pertaining to estimated bills, 3<sup>rd</sup> party billing, deferred payments, rescission of supplier switches within 3 days of receipt of confirmation;
9. A toll-free telephone number for service complaints;
10. Low income rate eligibility;
11. Provisions for default service;
12. Applicable provisions of state utility laws; and
13. Method whereby customers will be notified of changes to the terms of service.

GB. The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:

1. Prior to the initiation of service for any retail customer,
2. Prior to processing written authorization from a retail customer with a load of less than 1 MW to change Electric Service Providers,
3. To any person upon request,
4. Made a part of the annual report required to be filed with the Commission pursuant to law.

5. The information described in this subsection shall be posted on any electronic information medium of the Load-Serving Entities.

HC. Failure to comply with the rules on information disclosure or dissemination of inaccurate information may result in suspension or revocation of certification or other penalties as determined by the Commission.

D. There are efforts under the auspices of the Western Conference of Public Service Commissioners to develop a tracking mechanism as to the source of electrons. To facilitate customer choice, the Commission intends to participate in developing this tracking mechanism and a side-by-side comparison for retail customers on price, price variability, fuel mix, and emissions of electricity offered for sale in Arizona and the West. The Commission will work with all interested parties to develop this mechanism, one result of which could be a disclosure label, to be instituted as soon as practicable.

HE. The Commission may establish a consumer information advisory panel to review the effectiveness of the provisions of this Section and to make recommendations for changes in the rules.