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TO: THE COMMISSION

FROM: Utilities Division

DATE: December 22, 1998

RE: IN THE MATTER OF THE FILING BY SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. OF UNBUNDLED AND STANDARD OFFER SERVICE TARIFFS PURSUANT TO A.A.C. R14-2-1606 (DOCKET NO. E-01575A-97-0706)

On February 13, 1998, Sulphur Springs Valley Electric Cooperative, Inc. (Coop) filed its unbundled and standard offer service tariffs pursuant to A.A.C. R14-2-1606. In this filing, the Coop priced electric service elements such as distribution, metering and billing. The Coop also stated that it intends to use its current tariffs as the standard offer tariffs but may revise the standard offer at a later date.

Effective December 26, 1996, the Arizona Corporation Commission (Commission) adopted rules governing the parameters of retail electric competition. Pursuant to A.A.C. R14-2-1606(D), each incumbent utility must file Unbundled Service Tariffs to provide the following services to all eligible purchasers on a nondiscriminatory basis: Distribution service; Meter and meter reading service; Billing and collection service; Open access transmission service; Ancillary services; Information services; and Other ancillary services necessary for safe and reliable system operation. Pursuant to A.A.C. R14-2-1606(C), each incumbent utility may also file proposed tariffs to provide standard offer bundled service.

Decision No. 60702, dated February 27, 1998, suspended this filing until June 12, 1998. Decision No. 60908, dated May 22, 1998, suspended this filing until December 9, 1998. The Coop agreed to continue the suspension until January 28, 1999 in a letter it filed on December 7, 1998.

Staff's main concern with the Coop's February 13<sup>th</sup> tariff filing was that it would result in a disincentive for certain customers to make the competitive choice versus standard offer. This disincentive was primarily the result of higher fixed charges in the unbundled tariffs than are in the Coop's current tariffs. As a result of discussions with Staff, the Coop agreed to eliminate their proposed higher fixed charges for customers who exercise choice by maintaining the level of fixed versus variable charges in its current tariffs.

The Coop filed its revised tariffs with the Commission on December 22, 1998.

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Staff has reviewed the Coop's revised tariffs and recommends these tariffs be approved. Staff will support the Coop in moving rates to achieving cost-based pricing in the Coop's next rate proceeding. Staff is committed to working with the Coop to develop a mutually acceptable cost of service model based on NARUC recognized methodologies that are applicable to rural electric utilities. Staff further recommends that the Coop's request to use its current tariffs as the standard offer tariffs be approved.

*Ray T. Williamson*

Ray T. Williamson  
Acting Director  
Utilities Division

RTW:JVW:djg/PAB

ORIGINATOR: John V. Wallace