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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE COMMISSION'S INQUIRY INTO RETAIL ELECTRIC COMPETITION	**DOCKET NO. E-00000W-13-0135** **THE ARIZONA TRANSMISSION DEPENDENT UTILITY GROUP AND THE IRRIGATION & ELECTRICAL DISTRICTS' ASSOCIATION OF ARIZONA COMMENTS ON RETAIL COMPETITION**

The Arizona Transmission Dependent Utility Group and the Irrigation and Electrical Districts' Association of Arizona herewith provide our initial response to the Memorandum of May 23, 2013 soliciting views on a wide range of questions about retail competition.

First, we wish to compliment the Commission and its staff for the extensive thought process that went into crafting the 18 questions in the Memorandum. It is obvious that a great deal of work went into producing this list. What the questions themselves demonstrate is the complexity of the subject and the significant role that assumptions play in the ability to respond to these questions.

For instance, question #1 concerning whether all classes of customers can benefit from reduced rates of retail electric competition is not a question that can be answered without knowing the underlying assumptions of how retail competition would be designed and implemented. The question assumes that competition will produce reduced rates. The more fundamental question is whether this result can be achieved at all when comparing results in other states that have installed some form of retail competition, either in specific sectors or across the board.

Question #3 asks us to respond to customer class parameters, dubbed "equally" or "equitably". What do those terms mean? Are we talking percentages of electric rate reduction? Dollar reductions? Does "equitably" imply that some rate tilt of reductions is to be favored?

What we gleaned from these questions is that, however thoroughly they've already been vetted by the Commission and its staff, these questions in turn raise other questions that make responding at least difficult if not impossible.

Our second comment is that we believe these questions should be discussed separately as to their meaning and assumptions. The complete responses carry with them the responders' necessary assumptions that may not be uniform and are most likely not to be. For instance, incumbent utilities serving retail will most likely be the provider of last resort because they control the distribution system. We are not aware of any physical arrangements in Arizona that, at this time, would allow or make economic sense to vary from that result. Frank discussion with the industry and with the transmission and distribution system operators that serve Arizonans would probably give you this result and most assuredly would produce more reliable data than surveying interested parties about this issue.

What we are suggesting is that a thorough understanding of how electricity is delivered to consumers in Arizona eliminates a lot of possibilities for change because the change would do nothing more than raise rates.

Our third comment is that we believe that these questions really speak to the larger question of where the electric utility industry is in Arizona now and where it should be in the future. External forces such as the push from Washington D.C. for organized markets in the West, the Memorandum of Understanding between the CAISO and PacifiCorp and the newly revised "strawman" subject of a rather confusing CAISO presentation here in Phoenix last week, ongoing discussions about energy imbalance markets, the splitting of WECC into two organizations, the push by the Western Area Power Administration to change the way power is delivered in Arizona and the apparent effort of the Department of Energy to rob state public utility commissions of jurisdiction are all issues of significant importance to the future of the electric utility industry in Arizona. Perhaps these issues have more important consequences than revisiting retail competition.

We look forward to participating in this Docket further and to the responses of others to your questions.

RESPECTFULLY SUBMITTED this 15th day of July, 2013.

ROBERT S. LYNCH & ASSOCIATES

By ______________________

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ORIGINAL and 13 copies filed
this 15th day of July, 2013 with:

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