ORIGINAL

0000146886

RECEIVED

A

2013 JUL 15 P 4: 47

AZ CORP COMMISSION
DOCKET CONTROL

1801 NORTH LAMAR STREET
SUITE 200
DALLAS, TEXAS 75202

Arizona Corporation Commission
DOCKETED

JUL 15 2013

DOCKETED BY ne

July 15, 2013

The Honorable Gary Pierce, Chairman, and
Commissioners
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: Docket E-00000W-13-0135 / In the Matter of the Commission's Inquiry into Retail Electric Competition

Dear Mr. Chairman and Members of the Commission;

Ambit Holdings, LLC, ("Ambit") on behalf of its various operating subsidiaries[1] is pleased to file these comments on the issues being raised by the Commission in Docket E-00000W-13-0135, In the Matter of the Commission's Inquiry into Retail Electric Competition in Arizona. Ambit Energy provides electricity and natural gas services in deregulated markets across the United States, primarily marketed through a direct sales channel of more than 200,000 Independent Consultants. Based in Dallas, Texas, our company is focused on being the finest and most-respected retail energy provider in America, offering cost-effective choices for today's energy consumer.

Ambit was name the #1 Fastest-Growing Private Company in America by *Inc* magazine, and we reached over 1,000,000 million customers in 2012, just 6 years after our initial launch. Most recently J.D. Power ranked Ambit as the highest ranking retail electric company in New York and 2nd in Connecticut in its 2013 Retail Electric Provider Satisfaction Study℠ of residential electric customers.[2]

As the Commission has recognized, many factors need to be considered before opening the Arizona marketplace to competition. Ambit suggests that the Commission's primary focus be on adopting policies that promote and safeguard customer choice. When consumers have choices the market responds with innovative pricing and customer service offerings designed to satisfy the various niche markets within the state. Competitive providers in particular have the ability to react to the nuances of the marketplace and bring innovative services to the marketplace more quickly. One only has to look at the nationwide telecommunications industry to see the effects of competition in the interexchange services market. Not only have rates declined steadily, but also a myriad of new product and service offerings reached the marketplace.

---

[1] Ambit Holdings, LLC subsidiaries operate under the names of Ambit Illinois, LLC, Ambit New York, LLC, Ambit Northeast, LLC and Ambit Texas, LLC in the provision of competitive energy services (electric and gas) in various states.

[2] 2013 Retail Electric Satisfaction Study, J.D. Power Press Release dated June 26, 2013. The survey examined customer experiences in five key factors: price; communications; corporate citizenship; enrollment/renewal; and customer service.

Ambit in particular prides itself on its superior customer service. Our proprietary BlueNet™ system delivers comprehensive account management and unmatched billing, usage and service access to our customers. This saves time and gives our personalized Customer Care Team everything they need to deliver the top-rated service customers want and the responsive results they deserve. The relationship between the company's Independent Consultants and the end user customers provides for an almost one-on-one experience. By moving the sales relationship down to the customer, Ambit is able to better understand the needs of prospective customers and react accordingly.

Based on Ambit's experience operating in the nationwide competitive energy market, Ambit recommends that the Commission consider adopting the regulatory model used by the State of Texas. The Texas model has been in place for over ten years. As such, it has been revised and refined over the years based on both customer and competitor experience in the marketplace. Accordingly, it offers the "best practices" to be followed in introducing competition to the energy sector. See Attachment I for a summary of Texas electric restructuring and regulation model.

In particular, Ambit finds that Texas' segmentation of service providers into Suppliers of Wholesale Generation, Transmission and Distribution Utilities, and Retail Electric Providers ("REP") has been the most successful framework for introducing competition. Such a structure limits the potential monopoly power of any one provider and permits each segment of the market to focus on the service(s) they offer. This structure also provides for lower rates for the customers within the state. Texas electric customers realize a 3 cents per kWh reduced rate off of the national average for variable and one-year fixed rate services.[3]

Another important factor in the success of the Texas model is its promotion of long term rate stability by permitting companies to secure power on a long term basis. This mechanism enables providers to offer customers the option of buying power on a fixed rate contract that ensures their rates will not change even if marketplace prices do. Some states do not provide for this long term pricing, thus creating instability for customers who see daily, weekly, or monthly rate changes. The negative effects of these changes are generally felt most severely during seasonal fluctuations of weather patterns.

The Commission should also avoid mistakes made by other states that opened competition only to a limited market segment, as is the case in Michigan[4] In Michigan, competition is limited: "no more than 10% of an electric utility's average weather adjusted retail sales for the preceding calendar year may take service from an alternative electric supplier at any time." In addition, the electric utilities themselves are charged with measuring both competitive levels and the number of customers in queue requesting competitive services. As shown on Attachment II, the websites of these electric utilities show there are currently 11,000 Michigan customers that want to participate in the competitive marketplace but are unable to do so. For these customers, limited competition is no better than no competition. The Commission should not place Arizona citizens in a similar situation.

---

[3] 2013 Scope of Competition in Electric Markets, of Texas, Report to the 83rd Texas Legislation, January 2013, page 21.

[4] Michigan Public Utility Commission Case U-15801 effective September 29, 2009

Net Metering is another important element of any competitive energy restructuring. States have utilized various methods for implementing net metering options (Attachment III). Ambit believes that, if structured properly, net metering can be a viable and integral part of the Commission's plan. However safeguards must be in place to ensure that customers and service providers understand all of the necessary elements of net metering, including: customer eligibility; limits on the customer's electricity generation; calculation of credits and how they must be reflected on the customer's bills; whether credits expire and, if so, how to track them, including any reporting obligations. Rules established now will help drive how net metering is handled for years to come.

Ambit appreciates the opportunity to participate in this proceeding and looks forward to competing within Arizona upon the opening of its energy markets to competition.

Laurie Rodriguez, Chief Financial Officer

ATTACHMENT I

Summary Of Texas Energy Deregulation

Summary of Texas Energy Deregulation

In 1995, the Legislature restructured the state's wholesale electric market to begin September 1, 1995. In 1999, it deregulated the retail segment in some parts of Texas to begin on January 1, 2002. Deregulation in Texas required formerly vertically integrated investor-owned utilities (IOUs) to divide into independent business units: a wholesale power generation company, a transmission and distribution company and a retail electric provider (REP). While the utilities were required to create separate companies to perform these functions, they could maintain common ownership through a holding company structure. These separated companies could not discriminate in favor of, or collude with, one another or make claims of superior reliability.

The restructuring applies only to IOUs within the Electric Reliability Council of Texas (ERCOT) region. Utilities owned by cities and rural cooperatives may join the deregulated market. They are not required to do so. and are known as "non-opt-in entities" (NOIEs).

In the ERCOT areas that have opened to retail competition, the electric industry has been "unbundled" and structurally separated into three segments: wholesale generation, transmission/distribution, and retail. In these areas, suppliers of *wholesale generation* are companies that own power-generating plants and sell electricity to retail electric providers (REPs); the *transmission and distribution* segment comprises companies that own the power lines electricity flows through; and the *retail* segment comprises REPs that sell electricity to end users. Outside of ERCOT, and in the areas of ERCOT served by NOIEs, one entity may generate, transmit, distribute, and sell electricity to all retail customers.

Once the separation was complete, the newly created REP in each area was then distinguished as the incumbent or "affiliated" REP (AREP), and as the former monopoly provider it was subject to specific limitations on its behavior in the nascent market. AREPs could enter one another's territories and new-entrant companies could create new competitive REPs (CREPs) to compete with the AREPs. The most important initial limitation on the AREPs was PUC regulation of their price for residential and small commercial customers; this became the price new competitors had to beat to lure consumers away from their existing electric provider. This price was known as the "price to beat."

For three years, AREPs were not allowed to alter their "price to beat," except to request adjustments due to increases in natural gas prices, unless or until a minimum of 40% of their customers within each of the two customer classes (small commercial and residential) had left for new competitors. On January 1, 2005, AREPs were allowed to *lower* their prices without any approval from the PUC. They could not, however, *increase* their price without PUC approval, and price increases due to natural gas prices could be requested only twice per year. The "price to beat" was eliminated entirely on January 1, 2007, allowing the AREPs to set whatever price they choose. At this point, the retail electric market was considered fully competitive in the applicable areas. By this time the switch rate had grown to 36% for residential and more than 38% for commercial and 72% for industrial.

For large commercial customers and industrial customers, there was no PUC-regulated rate, and prices were established by competitive forces beginning in January 2002.

Under retail competition, REPs sell electricity to consumers and businesses and provide customer service functions such as billing, rate plans, and choices of renewable or other energy sources. All REPs must be certified to do business by PUC. REPs may compete for customers, both residential and commercial/industrial, by offering lower prices, a variety of service plans, different renewable energy choices, or better customer service and can operate in any deregulated area.

Regardless of which REP provides electric service to a customer, the PUC continues to enforce consumer protections for residential and small commercial customers and regulates electricity delivery to ensure that power is delivered reliably and without discrimination. (The PUC has adopted minimal customer protection rules for industrial and large commercial customers but leaves most of these issues to be resolved by contract between the REP and customer.)

The PUC is responsible for:

- regulation of rates and terms for intrastate transmission service and for distribution service in areas where customer choice has been introduced;
- oversight of the ERCOT market, including market monitoring and the ERCOT administrative system administration fee;
- adopting and enforcing rules relating to retail competition, including customer protection and the state's renewable energy goals;
- retail rate regulation outside of the ERCOT;
- licensing of new transmission facilities for investor-owned utilities and cooperatives; and
- licensing of retail electric providers.

The PUC has adopted customer protection rules that affect retail electric providers in several ways. REPs:

- must follow PUC standards to investigate customer complaints;
- may not discriminate;
- may not switch a customer's service without his or her permission.
- may not release any customer-specific information to any other company without the customer's permission;
- must provide customers with an Electricity Facts Label;
- must provide customers with a terms-of-service agreement;
- must disclose to customers their rights concerning choice of providers and the ability to switch;
- must provide customer information in English and Spanish; and
- must offer customers an average payment plan option to help distribute electricity payments evenly over the year, rather than billing customers for usage by month.

Source: Texas Comptroller of Public Accounts: The Energy Report 2008, Chapter 27.

ATTACHMENT II

Customers in queue in Michigan
(per company specific printed 07/12/2013)

energy suppliers

DTE Energy

Electric Choice - Cap Tracking System

Current as of: 07/11/2013

Total 2012 Retail Sales (MWh)	2012 Weather Adjusted Retail Sales (MWh)	2013 10% Cap (MWh)
47,969,691	46,830,494	4,683,049

Current Participation	5,175,472 MWh	11.05 %
Energy Allotment Available	0 MWh	0.00 %

Allotments in Queue (MWh)	Enrollments in Queue
4,801,196	5,198

Refer to the Appendix to the Power Supply Cost Recovery (PSCR) 45-Day Report for the most recent monthly and year-to-date summary of retail sales.

If you have any questions, please contact the Electric Choice Support Team at 1-888-830-2170 or suppliers@DTEEnergy.com

Retail Open Access

Consumers Energy's electric Retail Open Access program (also known as Electric Customer Choice) participation is limited to no more than 10% of the company's previous calendar year's weather adjusted sales. Information on the current status of the program is shown below in megawatt-hours (MWh):

ROA 10% Cap Tracking system (CTS) Report

Updated as of July 12, 2013

Consumers Energy 2012 Calendar Year Sales	37,737,120 MWh
Consumers Energy 2012 Weather Adjusted Retail Sales	37,298,206 MWh
Consumers Energy 2013 ROA Cap	3,729,821 MWh
Current Choice Participation Level **(enrolled and active at 100%)**	4,022,809 MWh
2012 Available Energy Allotments in MWh	0 MWh
Customers in Queue	5952
Total Load in Queue	5,291,939 MWh

Contact the Consumers Energy Business Center
Phone: (800) 805-0490
email: ecc@cmsenergy.com
To find out information on Consumers Energy Year to Date Sales, see the 45 Day report.

Upper Peninsula Power Company

CAP Tracking System

Current as of: July 12, 113	
2012 Retail Sales (MWh)	837,477
2012 Weather Adjusted Retail Sales (MWh)	847,567
2013 10% Cap (MWh)	84,757
Current Level of Choice Participation (MWh)	38,307
Customers in Queue	11
Total Energy in Queue (MWh)	46,379
2013 Energy Allotment Available (MWh)	71

Contact Representative

- **Bob Anderson** - Eastern Region
  906-485-2427
  RWAnderson@uppco.com
- **Dan Crane** - Western Region
  906-483-4507
  DDCrane@uppco.com

Customer Choice

Cap Tracking

Open Access Distribution (OAD) participation is limited to 10% of Indiana Michigan Power Company's weather adjusted sales for the previous calendar year within our Michigan jurisdiction. Shown below is OAD load available and current participation.

Last Updated 03/13/2013

2012 Calendar Year Total Retail Sales	**2,848,234 MWH**	% of W.A.R.S.
2012 Weather Adjusted Retail Sales (W.A.R.S.)	**2,835,839 MWH**	**100%**
2013 OAD Cap amount	**283,584 MWH**	**10%**
Current Active Allotments (Awarded and is being served by AES)	**160,702 MWH**	56.7%
Awarded Allotments (Not yet served by AES)	**123,157 MWH**	43.4%
Enrollment Forms in Queue	**0**	
Total Load in Queue	**59,089 MWH**	20.8%
Total Choice Participation (Total Awarded)	**283,860 MWH**	100.1%

For questions or explanation of data contained within this Cap Tracking System, please contact Kurt Cooper at kccooper@aep.com.

ATTACHMENT III

Status of Net Metering and Competitive Choice
(White Paper Study provided by Technologies Management, Inc.)

Net Metering and Competitive Choice

As consumers become savvier about their electric consumption, they begin to look for additional ways to offset their electricity demand. Net Metering is a regulatory policy that allows customer generated power (usually from small renewable sources such as solar power or wind generation) to be deducted or "netted out" from the power the customer consumes. Net Metering allows consumers to receive kilowatt-hour (kWh) credits on their energy supply charges and/or their distribution charges. This may include monthly rollover credits, an annual reconciliation in the form of a kWh or monetary credit, or both.

Forty-three states and the District of Columbia have adopted net metering policies. For those 16 states[1] and the District of Columbia where electric competition is available, all have established net metering policies.

While net metering offers the possibility of great benefits to consumers, it can also represent an accounting and record keeping headache for a competitive energy provider. Where net metering is required, a competitive provider must be prepared to handle several related issues including, but not limited to:

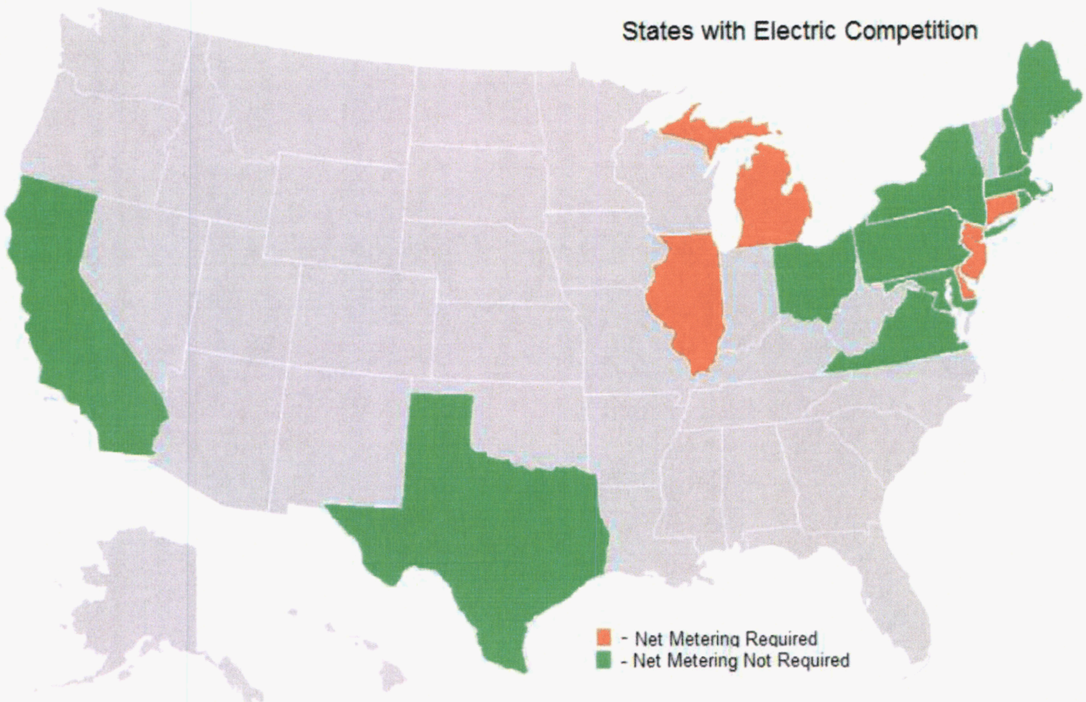
- identifying customer eligibility;
- identifying any limits on the customer's electricity generation;
- calculating credits and reflecting them on the customer's bills;
- tracking credits that expire; and,
- complying with reporting obligations.

It is also important for a competitive provider to review its customer contracts to make sure it can refuse service to net metered customers if it is not equipped to handle these issues.

---

[1] California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Texas and Virginia.

There are currently only a handful of states that require a competitive provider to offer net metering. (See map and chart below.) However, there are states where a competitive electric supplier may offer net metering at their option (e.g., Washington D.C., Pennsylvania). Other states don't necessarily "prohibit" a competitive provider from offering net metering, but the decision and/or requirement to offer net metering lies with the distribution company and not the competitive supplier (e.g., Massachusetts).



The chart below offers a high level summary of the differing requirements facing competitive providers in those states that require net metering.

- Customer eligibility is determined not only by the type of customer, but also by the generating capacity of the customer's generation unit;
- System limits, where applicable, provide caps on the amount of demand that is eligible for net metering;
- Credit calculations clarify how monthly net metering credits are to be tracked and applied. All states in the chart below require a

kWh to kWh credit by suppliers and any unused credits must "roll-over" to the next month;

- Credit expiration and annual reconciliation varies greatly from state to state; and
- Reporting obligations are primarily annual and address the frequency with which a competitive provider must report net metering information.

Competitive Market States with Competitive Net Metering Requirements

Required States	Eligible Customers (Capacity Limits)	System Limits	Monthly Credit Calculation	Credit Expiration \ Reconciliation	Reporting Obligations
Connecticut	Statutes require all electric suppliers to provide credits for net metering. However, all functional issues regarding net metering (including but not limited to eligibility, limitations, credit calculations, billing, and reporting) are handled by the distribution company.				
Delaware	Residential with up to 25 kW capacity Non-residential with up to 2 MW Farm customers with up to 100kW	Provider's 5% total peak demand (particular calendar year)	1:1 kWh with rollover	At Customer Option (Annually or None) Using either a weighted average (residential) or by using the Customer's Supply Service Charges applicable at the end of the annual period (non-residential)	Annual Reporting
Illinois	Retail customers with up to 2 MW	Provider's 5% total peak demand (previous year)	1:1 kWh with rollover	Annually For supply service NOT provided based on hourly pricing, credits expire at the end of the annualized period;	Annual Reporting
Michigan	Retail, Commercial & Industrial with a max of 150kW	Provider's 1% total peak demand (previous year) - % allocated by customer generation size	1:1 kWh with rollover	None	Annual Reporting
New Jersey	Residential, Commercial & Industrial – no max	Customer's annual on-site consumption (BPU has authority to limit aggregate NM to 2.5% of peak demand.)	1:1 kWh with rollover	Annually Using the provider's avoided cost of wholesale power	None

CERTIFICATE OF SERVICE

I hereby certify that on this 15 day of July, 2013, a copy of the Comments of Ambit Energy, LLC were served on the service list for Docket E-00000W-13-0135 via US Mail.

Thomas Forte

Digitally signed by Thomas Forte
DN: cn=Thomas Forte, o=Technologies Management, Inc., ou, email=tforte@tminc.com, c=US
Date: 2013.07.15 13:22:47 -04'00'

Thomas M. Forte
Consultant to Ambit Energy, LLC
Technologies Management, Inc.
P.O. Box 200
Winter Park, FL 32790-0200

_0135Mario Natividad
Applied Metering Technologies, Inc.
9244 Bermundez St.
Pico Rivera, CA 90660-4510

Lyn Farmer
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007-2927

Jeffrey Johnson
Arizona Public Service Company
P.O. Box 53999, MS 9708
Phoenix, AZ 85072

Leland Snook
Arizona Public Service Company
P.O. Box 53999, MS 9708
Phoenix, AZ 85072

Thomas Loquvam
Arizona Public Service Company
P.O. Box 53999, MS 8695
Phoenix, AZ 85072

Thomas Mumaw
Arizona Public Service Company
P.O. Box 53999, MS 8695
Phoenix, AZ 85072-3999

Valerie Hayes
Direct Selling Association
1667 K St.NW - 1100
Washington, DC 20006

C. Webb Crockett
Fennemore Craig, P.C
2394 E. Camelback Rd., Suite 600
Phoenix, AZ 85015

Patrick Black
Fennemore Craig, P.C
2394 E. Camelback Rd., Suite 600
Phoenix, AZ 85015

Kenneth Sundlof, Jr.
Jennings Strouss & Salmon, P.L.C.
One E. Washington St., Suite 1900
Phoenix, AZ 85004-2554

Jeff Woner
K.R. Saline & Associates, PLC
160 N. Pasadena, Suite 101
Mesa, AZ 85012

Joseph Drazek
Quarles & Brady LLP
One Renaissance Square, Two N. Central Ave.
Phoenix, AZ 85004

Michele Van Quathem
Ryley Carlock & Applewhite
One North Central, Suite 1200
Phoenix, AZ 85004-4417

Jana Brandt
Salt River Project-Regulatory Policy
P.O. Box 52025, PAB221
Phoenix, AZ 85072

Robert Taylor
Salt River Project-Regulatory Policy
P.O. Box 52025, PAB221
Phoenix, AZ 85072

Lauren Patheal
Triadvocates, LLC
Two N. Central Ave. - 1150, #1150
Phoenix, AZ 85004

A. B. Baardson
6463 N. Desert Breeze Court
Tucson, AZ 85750

Alan Kierman
615 N. 48th St
Phoenix, AZ 85008

Albert Acken
One N. Central Ave Ste 1200
Phoenix, AZ 85004

Annie Lappe
1120 Pearl St., Suite 200
Boulder, CO 80302

Anthony Wanger
615 N. 48th St
Phoenix, AZ 85008

Brad Nelson
7001 SW 24th Ave
Gainsville, FL 32607

Bradley Carroll
88 E. Broadway Blvd., MS HQE910
Tucson, AZ 85072

Brett Kraus
99 East 700 South
Logan, UT 84321

Carrie Hitt
505 9th St NW, Suite 800
Washington, DC 20004

Charles Moore
1878 W. White Mountain Blvd.
Lakeside, AZ 85929

Chris Hendrix
2001 S. E. 10th St, Bentonville
, AR 72716

Cynthia Zwick
2700 N. Third St. - 3040, #3040
Phoenix, AZ 85004

Daniel Pozefsky
1110 West Washington, Suite 220
Phoenix, AZ 85007

David Berry
P.O. Box 1064
Scottsdale, AZ 85252-1064

Harry Kingerski
1301 McKinney, Level 12
Houston, TX 77010

Heather Bernacki Wilkey
3030N. Central Ave., Suite 1408
Phoenix, AZ 85012

James Hamilton
822 N. 5th Ave
Phoenix, AZ 85003

Jane Briesemeister
98 San Jacintro Blvd., Suite 750
Austin, TX 78701

Janice Alward
1200 W. Washington
Phoenix, AZ 85007

Jeff Schlegel
1167 W. Samalayuca Dr.
Tucson, AZ 85704-3224

Kelly Norton
916 W. Adams St, Suite 2
Phoenix, AZ 85007

Kevin Higgins
215 South State Street, Ste. 200, Suite 200
Salt Lake City, UT 84111

Kristie Deiuliis
67 South Bedford Rd, Suite 201-E
Burlington, Massachusetts 01803, MA 01803

Lawrence Robertson, Jr.
PO Box 1448
Tubac, AZ 85646

Lori Dolqueist
One Embarcadero Center, 30 Floor
San Francicso, CA 94111

Meghaen Dell'Artino
328 E. Keim Rd
Phoenix, AZ 85012

Michael Curtis
501 East Thomas Road
Phoenix, AZ 85012-3205

Michael Grant
2575 E. Camelback Rd.
Phoenix, AZ 85016-9225

Michael Patten
400 E. Van Buren St. - 800
Phoenix, AZ 85004-3906

Nicholas Dranias
500 E. Coronado Rd
Phoenix, AZ 85004

Philene Taormina
34 Wheelock St
Montpelier, VT 05602

Raymond Hagerman
5101 College Blvd
Farmington, NM 87402

Rick Gilliam
1120 Pearl St., Suite 200
Boulder, CO 80302

Rick Umoff
505 9th St NW, Suite 800
Washington, DC 20004

Robert Lynch
340 E. Palm Lane, Suite 140
Phoenix, AZ 85004

Robert Metli
2398 E. Camelback Rd., Ste. 240
Phoenix, AZ 85016

Russell Jones
5210 E. Williams Circle - 800
Tucson, AZ 85711

Sara Birmingham
505 9th St NW, Suite 800
Washington, DC 20004

Scott Wakefield
201 N. Central Ave., Suite 3300
Phoenix, AZ 85004-1052

Steve Jennings
16165 N. 83rd Ave., Ste 201
Peoria, AZ 85382

Steve Olea
1200 W. Washington St.
Phoenix, AZ 85007

Tara Kaushik
One Embarcadero Center, 30 Floor
San Francicso, CA 94111

Timothy Hogan
202 E. McDowell Rd., #153
Phoenix, AZ 85004

Tina Lee
2929 Allen Parkway, Ste 2280
Houston, TX 77019

Tyler Carlson
P.O. Box 1045
Bullhead City, AZ 86430

Vicki Sandler
14402 S. Canyon Dr.
Phoenix, AZ 85048

William Sullivan
501 East Thomas Road
Phoenix, AZ 85012-3205