

**ARIZONA CORPORATION COMMISSION  
SPECIAL OPEN MEETING MINUTES**

**DATE:** December 19, 2003

**TIME:** 10:00 a.m.

**PLACE:** Arizona Corporation Commission, 1200 W. Washington St.,  
Hearing Room, Phoenix Arizona 85007

**ATTENDANCE:** Quorum of Commissioners. Commissioner Mike Gleason,  
Commissioner Kristin Mayes, Commissioner Hatch-Miller in  
attendance. See attendance list in Attachment I.

**TOPIC:** **Electric Competition Advisory Group Workshop**

**MATTERS DISCUSSED:**

*See Acronyms list in Attachment II for descriptions of acronyms*

Matt Rowell of Commission Staff welcomed participants and described that the purpose of the meeting was to obtain feedback from participants about specific competition rules. Matt recognized attendance of Commissioners Mayes and Gleason. Commissioner Hatch-Miller also attended later in the meeting. The agenda was as follows:

- Introduction – Goals of the workshop
- General Comments on the state of Electric Competition
- R14-2-1601(7) and R14-2-1601(30) – Definition of Competitive and Noncompetitive Services
- R14-2-1601(34) and R14-2-1606(39) – Interpretations of Provider of Last Resort and Standard Offer Obligations
- R14-2-1602 and R14-2-1604 – Should participation in competition be limited to customers of a certain size
- R14-2-1606(C)(6) – Should Standard Offer tariffs or contracts be prohibited from providing discounts or terms that prevent the customer from accessing a competitive option
- R14-2-1612(E) – Should electronic or voice approval for the authorization of the release of customer information be permitted
- R14-2-1613 – Reporting Requirements: timing and content
- R14-2-1615(B)(1) – Should UDCs be able to provide Meter Service and Meter Reading Services for non-load profiled Direct Access Customers
- Other issues regarding the electric competition rules

APS' Council inquired about the possibility of subsequent workshops.

Staff responded that there could be, but no determination has yet been made.

APS' Council suggested the Commission consider the original goals of competition and conduct an inquiry on the effects of Track A Track B. APS' perspective is that most of the focus currently is on commercial and industrial participation rather than residential.

Staff asked if there is still a strong interest in the residential market.

RUCO responded that they see no interest from residential customers and support repeal of the rules in their entirety, or at least for residential customers.

The Representative of AEPCO, Graham, and Duncan voiced a view that Coops doubt the viability of the residential market for competition, even with aggregation.

AECC voiced opposition to repealing the rules and taking away choice when no harm has resulted from choice.

RUCO discussed concern for FERC entry into state jurisdiction as a result of competition.

Constellation voiced opposition to rescinding the rules as it denies customers the opportunity to save. Competitive Transition Costs and below market generation credit are a problem for ESPs in Arizona. Finally, Constellation cited differences between California and Arizona markets.

Commissioner Gleason asked about aggregation's ability to solve these problems.

Commissioner Mayes asked about the success of legislation in fostering aggregation.

Constellation remarked that Ohio has it. Others are looking at legislation to allow it.

APSES voiced support for the concept of obligation to serve and clear understanding of certainty for the consumer. APSES further voiced concern for barriers such as credit and liquidity in developing the wholesale market.

SRP remarked that legislature is reexamining the competition rules and suggested coordination with the activities of legislature. SRP also voiced support for delaying restructuring.

AZCPA voiced concern for rescinding competition simply due to the difficulty residential customers may have in making informed choice. Business participation in a competitive market will trickle benefits down to consumers when their utilities then go to vibrant wholesale markets to purchase.

Staff asked for comments on item #3, R14-2-1601(7) and R14-2-1601(30).

The Representative of AEPCO, Graham, and Duncan remarked that there should be a more definite statement of what's a competitive and non competitive service, as competitive service may be broad and include traditional utility functions. APS' Council indicated that there are some inconsistencies such as in must run generation services and transmission. These are defined as noncompetitive. They asked rhetorically if that means an ESP can't procure generation from a must run unit, or procure transmission? They asked for clarity about what services are competitive or not.

Staff asked for comments on R14-2-1601(34) and R14-2-1606(39).

AECC voiced a view that there doesn't need to be language regarding provider of last resort as it's redundant.

APS' Council suggested change to the language would be beneficial as there's some ambiguity about customers over 100kwh.

APS' Council referred to planning difficulties that arise from current rules on provider of last resort.

Staff remarked that item #5 had already been discussed and moved to Item #6, R14-2-1606(C)(6).

Constellation voiced opposition to discounts being used for noncompetitive services. Other services could allow discounts so long as they are not discriminatory. Benefits of tariffs over special contracts were discussed.

The representative of AEPCO, Graham, and Duncan suggested that customers want long term special contracts with their utility. You shouldn't hamstring the affected utility by prohibiting long term contracts. The affected utility is also harmed when they can't offer programs other than standard offer.

Staff remarked that if there are long term contracts, it prevents future contracts from being made when competitors do enter the market.

TEP agreed on this issue. Allowing these contracts also allows the utility to formulate long term wholesale contracts.

APS' Council agreed that prior to competition there were customers with characteristics or load profiles that merited special contracts. Special contracts should be continued when there is legitimate rationale for special pricing.

AECC discussed support for the rule as it's written as it eliminates predatory pricing but does allow some special contracts.

A Constellation representative voiced regret regarding the long term effects of implementing discount pricing in the airline industry.

APS' Council voiced support for Commission review and consideration of any special contract that is legitimate.

Staff asked for comment on Item #7, R14-2-1612(E).

TEP voiced support for written authorization as it prevents slamming. They discussed concern for the funding of electronic authorization systems.

Strategic Energy voiced support for electronic or voice verification.

SRP suggested Commission coordination with legislature in the matter.

Constellation voiced support for electronic verification with limitations on the use of data.

APS referred to the possibility of electric verification, citing that their website provides info to customers with an ID.

Grand Canyon State Electric Coop discussed preference for written verification.

Staff referred to the extensive work done in the telecom field on the matter of slamming and release of customer info. Staff then asked for comment on Item #8, R14-2-1613, including semi annual reporting.

The representative of AEPCO, Graham, and Duncan referred to an irregularity in having to report for retail customers when they don't supply service at retail. They also voiced preference for annual reporting and doubted the value of the reported data.

Staff asked for comment on reporting frequency in the future if competition picks up.

Grand Canyon State Electric Coop discussed a preference for reporting only after a utility loses its first customer.

Staff moved to Item #9, R14-2-1615(B)(1).

AECC recommended that the UDC be able to provide the service to any direct access customers.

TEP referred to their not being sufficiently staffed to provide meter service for ESP's.

DEAA voiced a desire for real time usage information.

Constellation voiced support for utilities providing metering services under a tariff.

TEP voiced a view that the rule should be very specific that there's no requirement of the utility to provide metering.

Staff asked, "What if there was a meter reading service provider that wanted to serve, but there was no generation provider, and the customer wanted those services?"

The representative of AEPCO, Graham, and Duncan voiced a view that UDCs should be able to offer competitive services, and the Commission was wrong to not let UDCs offer competitive services.

TEP discussed concern for billing from data provided from another source.

APS agreed with TEP that the meter should be in control of the one providing the service.

Commissioner Gleason referred to reliance on others' scales in international grain trade. He also referred to the vastly larger scale of the grain market.

DEAA discussed the benefits of electronic metering.

Staff asked for comment on other issues.

The Representative of AEPCO, Graham, and Duncan voiced a view that R14-2-1609 should be repealed, AISA is unnecessary, and the Commission should consider if RTO policy needs to be part of the rule.

APS' Council suggested the Commission consider the level of risk to customers and ensure financial viability of the utilities. They also referred to the benefits of a cost benefit study.

APSES suggested that rules for leaving and returning to standard offer need to be clear. It's critical to preserve transmission rights in competition. Nevada is struggling due to a lack of access to transmission. Finally, APSES voiced support for AISA.

Phelps Dodge voiced a view that access to transmission must be embraced in the retail rules. Leave the rules where they're at and include a dispute resolution process that requires problems to be resolved within a certain timeline. We need some certainty for our future as the rules are not set.

RW Beck representing CAP voiced desire for changes to self generation parts of the rules. CAP would like to be its own provider to its headquarters but can't under the rules.

Grand Canyon State Electric Coop asked for further consideration of R14-2-1617 regarding consumer info label.

Matt Rowell of Staff concluded the meeting, thanked participants for their attendance and comments, and explained the status of the process.

## Attachment I

### Attendees at the Electric Competition Advisory Group Workshop On November 19, 2003

*See Acronyms in Attachment II for descriptions*

Attendee	Organization
Commissioner Mike Gleason	Arizona Corporation Commission
Commissioner Kristin Mayes	Arizona Corporation Commission
Commissioner Jeff Hatch-Miller	Arizona Corporation Commission
Barbara Keene	Arizona Corporation Commission
Erinn Andreasen	Arizona Corporation Commission
Steve Irvine	Arizona Corporation Commission
Matthew Rowell	Arizona Corporation Commission
Janet Wagner	Arizona Corporation Commission
David Couture	TEP
Barbara A Klemstine	APS
Scott Wakefield	RUCO
Vicki Sandler	APSES
Steve Ahern	RUCO
Paul Li	ATDUG
Dan Pozetsky	RUCO
Ken Bagley	R.W. Beck, Inc.
Larry Udall	Martinez & Curtis, PC
Stacy Agwayo	APSES
Kelly Barr	SRP
Mona Petrochico	Constellation NewEnergy, Inc.
Jennifer Chamberlin	Strategic Energy. L.L.C.
Deb Scott	TEP
Tom Mumaw	APS
Andrea Weller	Strategic Energy, L.L.C.
Greg Patterson	AZCPA
Anne Cobb	Trico Electric Cooperative, Inc.
Evelyn Dryer	TEP and UES
Marvin Cohen	Constellation NewEnergy, Inc.
Larry Peterson	Constellation NewEnergy, Inc.
Chuck Skidmore	City of Scottsdale
Mike Grant	AEPCO, Graham County Electric Cooperative, Inc., Duncan Valley Electric Cooperative, Inc.
Kevin Higgins	AECC
Jeff Guldrex	APS

Mike McElrath	Phelps Dodge Corporation
Rob Boltes	DEAA
Charlene Robertson	Constellation NewEnergy, Inc.
Chuck Miessner	APS
Jana Brandt	SRP
John Wallace	GCSECA
Bill Murphy	DEAA

## **Attachment II**

### **ACRONYMS**

AECC	Arizonans for Electric Choice and Competition
AEPCO	Arizona Electric Power Cooperative
AISA	Arizona Independent Scheduling Administrator
APS	Arizona Public Service Company
APSES	APS Energy Services
ATDUG	Arizona Transmission Dependent Utility Group
AZCPA	Arizona Competitive Power Alliance
CAP	Central Arizona Project
DEAA	Distributed Energy Association of Arizona
ESP	Electric Service Providers
FERC	Federal Energy Regulatory Commission
GCSECA	Grand Canyon State Electric Cooperative
RTO	Regional Transmission Organization
RUCO	Residential Utility Consumer Office
SRP	Salt River Project
TEP	Tucson Electric Power Company
UDC	Utility Distribution Company
UES	UniSource Energy Company