

November 26, 2003

Ernest G. Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: Duncan Valley Electric Cooperative, Inc., Graham County Electric Cooperative, Inc., Mohave Electric Cooperative, Inc., Navopache Electric Cooperative, Inc., Trico Electric Cooperative, Inc. and Sulphur Springs Valley Electric Cooperative, Inc. (collectively "Rural Electric Distribution Cooperatives" or "REDCs") Feedback on Participants' Revisions and Issues List for the Electric Competition Advisory Group ("ECAG")

Dear Earnest:

As you requested in your October 17, 2003 letter to the ECAG, enclosed are the REDCs feedback on the ECAG participant's initial comments on the Retail Electric Competition Rules. A copy was e-mailed to Rodica Pasula today.

Comments by others in the ECAG or further developments in the process generally may lead the REDCs to supplement or modify its positions on the issues raised or issues raised by others.

If you or any other Staff member have any questions concerning the enclosed, please call.

Sincerely,

John Wallace
Director of Regulatory & Strategic Services
**GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION, INC.**

Enclosure

cc with enclosure:
Erinn Andreasen, Utilities Division-ACC

**RURAL ELECTRIC DISTRIBUTION COOPERATIVE COMMENTS ON
PARTICIPANT’S INITIAL REVISIONS TO AND ISSUES WITH ARTICLE 16 RETAIL
ELECTRIC COMPETITION RULES**

Introduction

On October 17, 2003, Arizona Corporation Commission Staff requested feedback on the Electric Competition Advisory Group (ECAG) participant’s proposed comments/revisions to the Article 16 Retail Electric Competition rules (“Rules”). The following reply comments are provided by Duncan Valley Electric Cooperative, Inc. (“Duncan”), Graham County Electric Cooperative, Inc. (“Graham”), Mohave Electric Cooperative, Inc. (“Mohave”), Navopache Electric Cooperative, Inc. (“Navopache”), Trico Electric Cooperative, Inc. (“Trico”) and Sulphur Springs Valley Electric Cooperative, Inc. (“Sulphur”) (collectively “Rural Electric Distribution Cooperatives” or “REDCs”).

In making this filing, each of Duncan, Graham, Trico and Sulphur reserve all of its rights and arguments in the issues they have asserted in the pending appeal in the Court of Appeals, Division One, 1CA-CV01-0068, entitled *Phelps Dodge Corporation, et al., Intervenors-Appellants, Cross Appellants, Cross Appellees, Residential Utility Consumer Office, Intervenor-Appellant, the Arizona Corporation Commission, an agency of the State of Arizona, Defendant-Appellant, Cross Appellee, Arizona Electric Power Cooperative, Inc., et al., Plaintiff-Appellees, Cross Appellants*, and does not waive, in any manner, its legal positions asserted and its right in and to such issues and appeal.

The REDCs have not provided comments on all of the issues raised by ECAG participants but only on participant's proposed changes to the Rules that impact the REDCs. The REDC's reserve the right to provide comments on other issues to the extent that the issues result in proposed changes to the Rules.

Certain individual REDCs may supplement these comments. The REDCs reserve the right, individually and collectively, to provide comments and positions on any of the issues or proposed rule changes in this rulemaking as becomes necessary in the future. The REDCs, individually and collectively, also reserve the right to change opinions expressed below as new information becomes available.

RURAL ELECTRIC DISTRIBUTION COOPERATIVE COMMENTS

Constellation New Energy and Strategic Energy (CN & SE)

II. CN & SE General Comments:

CN & SE Comments On Establishment of Core/Non-Core Market for Arizona

Constellation NewEnergy and Strategic Energy (CN&SE) suggest that the Commission should consider a market divided along a consumption level. Customers below 500 kW would be classified as core customers and remain bundled customers of the utilities. Customers above 500 kW would be classified as non-core and would be required to contract for their generation needs with ESPs.

REDCs Response

REDCs have several comments about the CN&SE core/non-core proposal. First, this approach would allow for cream-skimming the largest and highest load factor customers from utilities systems leaving the smaller, lower load factor customers for the utilities to serve. Another issue is where to place the threshold dividing the core and the non-core customers. It will be difficult to decide who should have competitive access and who will not. Finally, requiring non-core customers to contract for their generation needs with ESPs may be good for ESPs but defeats the principle of customer choice.

III. CN & SE Specific Comments Regarding Rules:

In number 4, CN&SE advocate that ESPs should be provided meter information, customer class, load factor, account number(s), and other relevant information needed to enroll the customer accurately.

REDCs Response

Most of this information will be provided to the ESP's in the manner defined by the Commission's Process Standardization Working Group (PSWG).

CN&SE Revisions To R14-2-1612 (J)

In number 7, CN&SE suggest that the Commission adopt a 15 day timeframe for a utility – customer switch to an ESP because R14-2-1612 (J) requires a the ESP to notify the customer and utility 15 days prior to switching a customer back to standard offer service.

REDCs Response

The 15 day time notification is to allow both customer and the utility time to prepare for returning to standard offer service and has little to do with time frame needed to switch a customer to an ESP. The timeframe to switch a customer to an ESP has been determined and agreed to by market participants in the PSWG.

Tucson Electric Power Company (TEP)

1. A.A.C. R14-2-1604.

TEP Comments On Establishment of 3MW or Greater Competitive Choice Threshold

TEP's has proposed to limit competitive choice to customers with a 3 MW demand or greater.

REDCs Response

REDCs have the same comments about TEP's proposal to limit competitive choice to customers with 3 MW demand or greater as CS & SE's core/non-core proposal. First, this approach would allow for cream-skimming the largest and highest load factor customers from utilities systems leaving the smaller, lower load factor customers for the utilities to serve. Another issue is where to place the threshold dividing the customers who have versus do not have a competitive choice. In conclusion, it will be difficult to decide who should have competitive access and who will not.

9. TEP Comments On Metering Issues.

TEP requests that the Commission granted waivers related to electric meters and metering services be made permanent and the Rules be amended to remove the requirements waived by the Commission.

REDCs Response

The REDCs generally agree with TEP's but would request the opportunity to review and consider each resulting change to the Rules.

10. TEP Comments On Rates To Be Charged To Customers Who Leave Standard Offer Service and Then Return.

TEP believes it is not appropriate for customers who are returning to Standard Offer service to pay the Standard Offer rates due to the additional power requirements that may be necessary to serve these customers. TEP is recommending that the Rules be amended to provide the appropriate remedies for economic issues involved with returning customers through an adjustor clause or service agreement for not less than one year.

REDCs Response

The REDC's generally agree with TEP's comments and recommendation but would request the opportunity to review and consider each resulting change to the Rules.

Arizona Public Service Company (APS)

2. APS Comments on Competitive and Non-Competitive Services

APS commented that the current breakdown of competitive versus noncompetitive services is ambiguous and has proposed the following breakdown of Competitive versus Noncompetitive services:

Competitive Services:

- Generation For Direct Access Customers
- Metering Service for Direct Access Customers 20 kW and over
- Meter reading Service for Direct Access Customers 20 KW and over

Noncompetitive Services

- Distribution Service
- Standard Offer Service
- Load Profiling For Direct Access Customers less than 20 kW

REDCs Response

The REDCs generally agree that the sections of the rules dealing with current competitive versus noncompetitive services need to be clarified. The APS proposed breakdown between competitive versus noncompetitive services appears to be a step in the right direction.