

State of Arizona  
House of Representatives  
Forty-second Legislature  
Second Regular Session  
1996

**FILED**

Jane Dee Hull  
Secretary of State

CHAPTER 276

**HOUSE BILL 2504**

AN ACT

ESTABLISHING A JOINT STUDY COMMITTEE ON ELECTRIC INDUSTRY COMPETITION.

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Legislative intent

3 It is the intent of the legislature to conduct a study of the impact  
4 of competition on the generation, sale and transmission of electrical energy.  
5 The economy of this state depends on the availability of reliable, low cost  
6 electric energy. However, nationwide there is a trend toward competition in  
7 the generation, sale and transmission of electric energy and the legislature  
8 acknowledges that this competition has both potential benefits and potential  
9 adverse impacts on public utilities as well as on their shareholders, their  
10 customers and the citizens of this state. The legislature believes it is in  
11 the best interest of citizens of this state to explore the effects of  
12 competition in the generation, sale and transmission of electric energy.

13 Sec. 2. Joint legislative study committee on electric industry  
14 competition; study; report

15 A. A joint legislative study committee on electric industry  
16 competition is established consisting of the following members:

17 1. Five members of the house of representatives who are appointed by  
18 the speaker of the house of representatives, no more than three of whom are  
19 from the same political party. The speaker of the house of representatives  
20 shall designate one member as cochairperson.

21 2. Five members of the senate who are appointed by the president of  
22 the senate, no more than three of whom are from the same political party.  
23 The president of the senate shall designate one member as cochairperson.

1           B. The committee shall study and make recommendations on the following  
2 issues:

3           1. Financial issues, including:

4           (a) The interests of residential customers, including:

5           (i) The fairness of the rates, terms and conditions of service for the  
6 services chosen.

7           (ii) The affordability of rates, bills and services.

8           (iii) The stability and predictability of rates and bills.

9           (iv) The reliability and quality of the power supply.

10           (v) The assurance that rates, terms, and conditions are  
11 nondiscriminatory.

12           (vi) The ability of customers to understand the potential choices.

13           (vii) The importance of a fair dispute resolution process.

14           (viii) The potential for rates to reflect the customer's desired level  
15 of reliability and availability.

16           (b) The interests of small business customers, large business  
17 customers, shareholders and other stakeholders including:

18           (i) The fairness of the rates, terms, and conditions of service for  
19 the services chosen by customers.

20           (ii) The affordability of rates, bills and services for customers.

21           (iii) The stability and predictability of customers' rates and bills.

22           (iv) The assurance that rates, terms and conditions are  
23 nondiscriminatory for all customers.

24           (v) The ability of customers to understand the potential choices and  
25 the implications of the choices.

26           (vi) The importance of a fair dispute resolution process for  
27 customers.

28           (vii) The potential for rates to reflect the customer's desired level  
29 of reliability and availability.

30           (c) The financial integrity and cost of capital of utilities.

31           (d) The taxes paid by public utilities including franchise taxes,  
32 excise taxes, income taxes, ad valorem taxes, in lieu taxes and real and  
33 personal property taxes.

34           (e) The tax implications to local governments.

35           (f) The quantification and recovery of stranded investments by public  
36 utilities, including those resulting from:

37           (i) A customer who has a legal obligation to bear certain costs, who  
38 finds a way to avoid that obligation and who leaves without paying costs  
39 incurred on the customer's behalf.

40           (ii) The costs of investments that exceed their value in the  
41 competitive market.

42           (g) The pricing of transmission and distribution services.

43           (h) The pricing and rate subsidies for all classes of customers.

44           (i) The unbundling costs of services.

- 1           2. Legal issues, including:
- 2           (a) The issues of state, tribal and federal jurisdiction.
- 3           (b) The state statutory and regulatory constraints and oversight.
- 4           (c) The issues related to the federal energy regulatory commission.
- 5           (d) The commerce clause constraints.
- 6           (e) A review of existing state laws, rules and constitutional
- 7 provisions that affect the generation, sale and transmission of electric
- 8 energy including the need and appropriateness of regulatory reforms for
- 9 services that will continue to be provided by a regulated utility.
- 10          (f) Interstate reciprocity and the regional nature of the industry.
- 11          (g) The continuing obligations of a utility to serve customers.
- 12          (h) The issues concerning the use and protection of proprietary
- 13 information in a competitive market.
- 14          3. Social issues including:
- 15          (a) The planning and operations of public utilities, including
- 16 integrated resource planning.
- 17          (b) The efficiency and sufficiency of an aggregate supply of energy.
- 18          (c) The possible environmental impacts.
- 19          (d) The possible impact on the development and use of renewable
- 20 resources.
- 21          (e) The appropriate and proper method of recovery of the cost of
- 22 social, low income and noneconomic renewable energy programs in order to
- 23 ensure that costs are fairly and equitably shared among all consumers of
- 24 electric energy.
- 25          4. Issues related to system planning, operation and reliability,
- 26 including:
- 27          (a) Electric system reliability.
- 28          (b) Provisions by which customers would be permitted to have a choice
- 29 of generation providers.
- 30          (c) The applicability of regulatory reliability criteria to nonutility
- 31 market participants.
- 32          (d) The form and requirements of contracts for the sale or purchase
- 33 of electric energy.
- 34          (e) Requirements for metering energy usage at the customer's location.
- 35          (f) Designation and regulation of ancillary services.
- 36          5. Identification and review of the potential market structures,
- 37 including:
- 38          (a) The possible market structures for a deregulated generation market
- 39 and transmission market and whether they should be mandated or allowed to
- 40 form voluntarily.
- 41          (b) The formation of market segments in response to customers'
- 42 requirements.
- 43          (c) The impact on the investment stability of the electric utility
- 44 industry.

1 (d) The impact on multipurpose entities.

2 (e) The potential to improve economic efficiency.

3 (f) The size of the market and the extent to which its size impacts  
4 the level of benefits for customers or groups of customers.

5 (g) The ability of participants with control over the generation and  
6 transmission system to exercise market power over pricing or the need for  
7 controls to prevent the exercise of market power.

8 (h) The controls or bans on corporate relationships between regulated  
9 utilities and emerging competitive sectors.

10 (i) The barriers to achieving nondiscriminatory competition among  
11 electric energy suppliers, including a review of federal and state tax  
12 issues, the availability of federal subsidies to certain energy suppliers,  
13 the application of federal laws that impose regulatory requirements on the  
14 electric utility industry and jurisdiction of the Federal Energy Regulatory  
15 Commission over competitors.

16 (j) The viability of all customers to participate in and benefit from  
17 a competitive electricity market:

18 (i) The risks and responsibilities that customers or classes of  
19 customers will incur by participating in a competitive market.

20 (ii) The costs of gathering, processing and managing information on  
21 the price and quality of electricity.

22 (iii) The benefits to customers or classes of customers from  
23 participating in a competitive electricity market.

24 6. Other issues related to generation, sale and transmission of  
25 electric energy.

26 C. The committee shall complete a report to the legislature no later  
27 than December 31, 1997 for implementation of the electric utility competition  
28 proposal, as approved by the legislature, to begin no later than December 31,  
29 1999.

30 Sec. 3. Advisory committee on electric industry competition

31 A. An advisory committee on electric industry competition is  
32 established consisting of the following members:

33 1. The chairman of the Arizona corporation commission or another  
34 Arizona corporation commissioner designated by the chairman of the Arizona  
35 corporation commission.

36 2. The director of the residential utility consumer office.

37 3. Two industrial customers whose electric energy demand is at least  
38 ten megawatts, one each from the mining industry and the high technology  
39 industry, and who are appointed by the speaker of the house of  
40 representatives.

41 4. Two commercial customers, one large customer whose electric energy  
42 demand is at least one megawatt and one small customer whose electric energy  
43 demand is less than one megawatt, who are appointed by the president of the  
44 senate.

1           5. One agricultural customer who is appointed by the speaker of the  
2 house of representatives.

3           6. Two residential customers, one representing customers who are  
4 retired, who are appointed by the president of the senate.

5           7. One member who represents a rural electric cooperative and who is  
6 appointed by the speaker of the house of representatives.

7           8. One member who represents an agricultural improvement district and  
8 who is appointed by the president of the senate.

9           9. One member who represents a public service corporation and who is  
10 appointed by the speaker of the house of representatives.

11          10. One member who represents a potential new market entrant and who  
12 is appointed by the president of the senate.

13          11. One member who represents a municipal power company appointed by  
14 the speaker of the house of representatives.

15          12. One member who represents a southern Arizona investor-owned utility  
16 company with more than three hundred thousand customers and who is appointed  
17 by the president of the senate.

18          13. One member representing shareholders and bondholders in Arizona  
19 utilities and who is appointed by the president of the senate.

20          14. One member who represents the economic development community and  
21 who is appointed by the speaker of the house of representatives.

22          15. One member who represents the governor's office and who is  
23 appointed by the governor.

24          16. One member who represents an irrigation or electrical district  
25 serving electricity to consumers and who is appointed by the president of the  
26 senate.

27          17. One member who represents an Indian utility authority who is  
28 appointed by the speaker of the house of representatives.

29          18. One member who represents the Arizona department of commerce energy  
30 office and who is appointed by the director of the department of commerce.

31          19. One member representing low income consumers' organizations and who  
32 is appointed by the speaker of the house of representatives.

33          B. The advisory committee members shall provide technical assistance,  
34 support and information regarding electric industry competition to the joint  
35 legislative study committee on electric industry competition.

36          C. Members of the advisory committee are not eligible to receive  
37 compensation.

38          Sec. 4. Delayed repeal

39          This act is repealed on January 1, 1998.

APPROVED BY THE GOVERNOR APRIL 23, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 23, 1996