

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS; SECURITIES REGULATION****CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES**

Authority: Article XV, § 3, Constitution of Arizona and A.R.S. § 40-202 et seq.

*Editor's Note: The Office of the Secretary of State publishes all Code Chapters on white paper (Supp. 02-1).*

*The Corporation Commission has determined that rules in this Chapter are exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)). This exemption means that the rule was not certified by the Attorney General. Because this Chapter was filed under a rulemaking exemption, as determined by the Corporation Commission, other than a statutory exemption, the Chapter is printed on green paper.*

*Chapter 2, consisting of Sections R14-2-104, R14-2-105, R14-2-201 through R14-2-213, R14-2-301 through R14-2-313, R14-2-401 through R14-2-411, R14-2-501 through R14-2-510, and R14-2-601 through R14-2-610, adopted effective March 2, 1982.*

**ARTICLE 1. GENERAL PROVISIONS**

*Former Sections R14-2-103, R14-2-127, and R14-2-128, renumbered as Sections R14-2-101 through R14-2-103 respectively and former Section R14-2-135 renumbered as Section R14-2-314 effective March 2, 1982.*

*Former Sections R14-2-101, R14-2-102, R14-2-104, R14-2-106 through R14-2-126, R14-2-129, R14-2-130, R14-2-132 through R14-2-134 repealed effective March 2, 1982.*

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- R14-2-101. Accident reports
- R14-2-102. Treatment of depreciation
- R14-2-103. Defining Filing Requirements in Support of a Request by a Public Service Corporation Doing Business in Arizona for a Determination of the Value of Property of the Corporation and of the Rate of Return Thereon, or in Support of Proposed Increased Rates or Charges
- R14-2-104. Inspection of annual reports
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- R14-2-205. Master Metering
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- R14-2-901. Definitions
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- R14-2-905. Generic (Streamlined) COPT Tariff
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- R14-2-907. Reporting Requirements and Safety Standards
- R14-2-908. Violations
- R14-2-909. Variations or Exemptions from the Commission's Rules

#### ARTICLE 10. ALTERNATIVE OPERATOR SERVICES

*Article 10, consisting of Sections R14-2-1001 through R14-2-1014, adopted effective November 2, 1993, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 93-4).*

- Section
- R14-2-1001. Definitions
- R14-2-1002. Application for Certificate of Convenience and Necessity
- R14-2-1003. Grant of Certificate of Convenience and Necessity
- R14-2-1004. Rates, Operator Service Charges, and Surcharges
- R14-2-1005. End-user Notification and Choice Requirements
- R14-2-1006. Public Safety Requirements
- R14-2-1007. Billing and Collection
- R14-2-1008. Call Splashing Requirements
- R14-2-1009. Complaint Processing
- R14-2-1010. Quality of Service
- R14-2-1011. Reports
- R14-2-1012. Violations
- R14-2-1013. IntraLATA Long-distance Service is Prohibited
- R14-2-1014. Variations or Exemptions from the Commission's Rules

#### ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

*Article 11, consisting of Sections R14-2-1101 through R14-2-1115, adopted effective June 27, 1995, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 95-2).*

- Section
- R14-2-1101. Application of Rules
- R14-2-1102. Definitions
- R14-2-1103. Certificates of Convenience and Necessity Required
- R14-2-1104. Expanded Certificates of Convenience and Necessity for Telecommunications Companies with Existing Certificates; Initial Tariffs
- R14-2-1105. Certificates of Convenience and Necessity for Telecommunications Companies Offering Competitive Services; Initial Tariffs
- R14-2-1106. Grant of Certificate of Convenience and Necessity
- R14-2-1107. Application to Discontinue or Abandon Local Exchange or Interexchange Services
- R14-2-1108. Determination of a Competitive Telecommunications Service
- R14-2-1109. Pricing of Competitive Telecommunications Services
- R14-2-1110. Competitive Telecommunications Services -- Procedures for Rate Change
- R14-2-1111. Requirement for IntraLATA Equal Access
- R14-2-1112. Interconnection Requirements
- R14-2-1113. Establishment of Universal Service Fund
- R14-2-1114. Service Quality Requirements for the Provision of Competitive Services
- R14-2-1115. Administrative Requirements

#### ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND

*Article 12, consisting of Sections R14-2-1201 through R14-2-1217, adopted effective April 26, 1996, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 96-2).*

- Section
- R14-2-1201. Definitions
- R14-2-1202. Calculation of AUSF Support
- R14-2-1203. Request for AUSF Support
- R14-2-1204. Funding of the AUSF
- R14-2-1205. Calculation of Surcharges
- R14-2-1206. Implementation
- R14-2-1207. Calculation of Monthly Payments and the Associated Collections
- R14-2-1208. Monthly AUSF Disbursements
- R14-2-1209. Procedures for Handling AUSF Rate Changes
- R14-2-1210. Statement of Participation of all Telecommunications Service Providers in the AUSF
- R14-2-1211. Duties and Responsibilities of the AUSF Administrator
- R14-2-1212. Interim Administrator
- R14-2-1213. Guidelines for Auditing the AUSF
- R14-2-1214. Enforcement of Collection of Delinquent AUSF Amounts
- R14-2-1215. AUSF Annual Report
- R14-2-1216. Review Process
- R14-2-1217. Supersession of Existing USF Mechanism

#### ARTICLE 13. TELECOMMUNICATIONS INTERCONNECTION AND UNBUNDLING

*Article 13, consisting of Sections R14-2-1301 through R14-2-1311, adopted effective September 6, 1996, pursuant to an exemp-*

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tion from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 96-3).

## Section

- R14-2-1301. Application of Rules
- R14-2-1302. Definitions
- R14-2-1303. Points of Interconnection
- R14-2-1304. Reciprocal Compensation
- R14-2-1305. Local and Toll Rating Centers
- R14-2-1306. Access to Databases and other Network Functions
- R14-2-1307. Unbundling
- R14-2-1308. Number Portability
- R14-2-1309. Cost Methodology
- R14-2-1310. Pricing
- R14-2-1311. Waivers

**ARTICLE 14. EMERGENCY EXPIRED**

Article 14, consisting of Sections R14-2-1401 through R14-2-1409, emergency expired (Supp. 97-1).

Article 14, consisting of Sections R14-2-1401 through R14-2-1409, adopted December 22, 1995, effective for a maximum of 180 days, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 95-4).

**ARTICLE 15. ARBITRATION AND MEDIATION**

Article 15, consisting of Sections R14-2-1501 through R14-2-1507, emergency expired; new Article 15, consisting of Sections R14-2-1501 through R14-2-1509, adopted effective August 27, 1997, pursuant to an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

Article 15, consisting of Sections R14-2-1501 through R14-2-1507, adopted January 17, 1997, effective for a maximum of 180 days, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 97-1).

Article 15, consisting of Sections R14-2-1501 through R14-2-1507, adopted July 23, 1996, effective for a maximum of 180 days, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission; filed with the Office of the Secretary of State July 15, 1996 (Supp. 96-3). Emergency expired.

## Section

- R14-2-1501. Application of Rules
- R14-2-1502. Definitions
- R14-2-1503. Negotiation
- R14-2-1504. Mediation
- R14-2-1505. Arbitration
- R14-2-1506. Filing and Service of Request for Approval of Interconnection Agreement
- R14-2-1507. Approval Procedure
- R14-2-1508. Amendments
- R14-2-1509. Replacement or Subsequent Interconnection Agreements

**ARTICLE 16. RETAIL ELECTRIC COMPETITION**

Article 16, consisting of Sections R14-2-1601 through R14-2-1616, adopted effective December 26, 1996, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 96-4).

## Section

- R14-2-1601. Definitions
- R14-2-1602. Commencement of Competition
- R14-2-1603. Certificates of Convenience and Necessity

- R14-2-1604. Competitive Phases
- R14-2-1605. Competitive Services
- R14-2-1606. Services Required to be Made Available
- R14-2-1607. Recovery of Stranded Cost of Affected Utilities
- R14-2-1608. System Benefits Charges
- R14-2-1609. Transmission and Distribution Access
- R14-2-1610. In-state Reciprocity
- R14-2-1611. Rates
- R14-2-1612. Service Quality, Consumer Protection, Safety, and Billing Requirements
- R14-2-1613. Reporting Requirements
- R14-2-1614. Administrative Requirements
- R14-2-1615. Separation of Monopoly and Competitive Services
- R14-2-1616. Code of Conduct
- R14-2-1617. Disclosure of Information
- R14-2-1618. Environmental Portfolio Standard

**ARTICLE 17. RESERVED****ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF**

Article 18, consisting of Sections R14-2-1801 through R14-2-1816 and Appendix A, made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

## Section

- R14-2-1801. Definitions
- R14-2-1802. Eligible Renewable Energy Resources
- R14-2-1803. Renewable Energy Credits
- R14-2-1804. Annual Renewable Energy Requirement
- R14-2-1805. Distributed Renewable Energy Requirement
- R14-2-1806. Extra Credit Multipliers
- R14-2-1807. Manufacturing Partial Credit
- R14-2-1808. Tariff
- R14-2-1809. Customer Self-Directed Renewable Energy Option
- R14-2-1810. Uniform Credit Purchase Program
- R14-2-1811. Net Metering and Interconnection Standards
- R14-2-1812. Compliance Reports
- R14-2-1813. Implementation Plans
- R14-2-1814. Electric Power Cooperatives
- R14-2-1815. Enforcement and Penalties
- R14-2-1816. Waiver from the Provisions of this Article
- Appendix A. Sample Tariff

**ARTICLE 19. CONSUMER PROTECTIONS FOR UNAUTHORIZED CARRIER CHANGES**

Article 19, consisting of R14-2-1901 through R14-2-1913, made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

## Section

- R14-2-1901. Definitions
- R14-2-1902. Purpose and Scope
- R14-2-1903. Application
- R14-2-1904. Authorized Telecommunications Company Change Procedures
- R14-2-1905. Verification of Orders for Telecommunications Service
- R14-2-1906. Notice of Change
- R14-2-1907. Unauthorized Changes
- R14-2-1908. Notice of Subscriber Rights
- R14-2-1909. Customer Account Freeze
- R14-2-1910. Informal Complaint Process
- R14-2-1911. Compliance and Enforcement
- R14-2-1912. Severability
- R14-2-1913. Script Submission

### ARTICLE 20. CONSUMER PROTECTIONS FOR UNAUTHORIZED CARRIER CHARGES

*Article 20, consisting of R14-2-2001 through R14-2-2011, made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).*

#### Section

- R14-2-2001. Definitions
- R14-2-2002. Purpose and Scope
- R14-2-2003. Application
- R14-2-2004. Requirements for Submitting Authorized Charges
- R14-2-2005. Authorization Requirements
- R14-2-2006. Unauthorized Charges
- R14-2-2007. Notice of Subscriber Rights
- R14-2-2008. Informal Complaint Process
- R14-2-2009. Compliance and Enforcement
- R14-2-2010. Severability
- R14-2-2011. Script Submission

### ARTICLE 21. CUSTOMER PROPRIETARY NETWORK INFORMATION

*Article 21, consisting of Sections R14-2-2101 through R14-2-2112, made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (Supp. 06-2).*

#### Section

- R14-2-2101. Application
- R14-2-2102. Definitions
- R14-2-2103. Obtaining Customer Approval to Use, Disclose, or Permit Access to CPNI to Affiliates, Joint Venture Partners and Independent Contractors Providing Communications-Related Services
- R14-2-2104. Obtaining Customer Approval to Use, Disclose, or Permit Access to CPNI to Third Parties and Affiliates that Do Not Provide Communications-Related Services
- R14-2-2105. Information Requirements for Customer CPNI Opt-In Notice
- R14-2-2106. Additional Informational Requirements for Customer Opt-Out Notice
- R14-2-2107. Notification Requirements for Obtaining Customer Approval for Limited One-Time Use of CPNI for Inbound and Outbound Customer Telephone Contact
- R14-2-2108. Verification of Customer Opt-Out Approval to Use CPNI
- R14-2-2109. Confirming a Customer's Opt-In Approval
- R14-2-2110. Reminders to Customers of Their Current CPNI Release Election
- R14-2-2111. Duration of Customer Approval or Disapproval to Disseminate the Customer's CPNI
- R14-2-2112. Severability

### ARTICLE 22. RESERVED

### ARTICLE 23. NET METERING

*Article 23, consisting of Sections R14-2-2301 through R14-2-2308, made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).*

#### Section

- R14-2-2301. Applicability
- R14-2-2302. Definitions
- R14-2-2303. Requirements and Eligibility
- R14-2-2304. Metering
- R14-2-2305. New or Additional Charges
- R14-2-2306. Billing for Net Metering
- R14-2-2307. Net Metering Tariff

- R14-2-2308. Filing and Reporting Requirements

### ARTICLE 24. ELECTRIC ENERGY EFFICIENCY STANDARDS

*Article 24, consisting of Sections R14-2-2401 through R14-2-2419, made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).*

#### Section

- R14-2-2401. Definitions
- R14-2-2402. Applicability
- R14-2-2403. Goals and Objectives
- R14-2-2404. Energy Efficiency Standards
- R14-2-2405. Implementation Plans
- R14-2-2406. DSM Tariffs
- R14-2-2407. Commission Review and Approval of DSM Programs and DSM Measures
- R14-2-2408. Parity and Equity
- R14-2-2409. Reporting Requirements
- R14-2-2410. Cost Recovery
- R14-2-2411. Performance Incentives
- R14-2-2412. Cost-effectiveness
- R14-2-2413. Baseline Estimation
- R14-2-2414. Fuel Neutrality
- R14-2-2415. Monitoring, Evaluation, and Research
- R14-2-2416. Program Administration and Implementation
- R14-2-2417. Leveraging and Cooperation
- R14-2-2418. Compliance by Electric Distribution Cooperatives
- R14-2-2419. Waiver from the Provisions of this Article

### ARTICLE 25. GAS UTILITY ENERGY EFFICIENCY STANDARDS

*Article 25, consisting of Sections R14-2-2501 through R14-2-2520, made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).*

#### Section

- R14-2-2501. Definitions
- R14-2-2502. Applicability
- R14-2-2503. Goals and Objectives
- R14-2-2504. Energy Efficiency Standards
- R14-2-2505. Implementation Plans
- R14-2-2506. DSM Tariffs
- R14-2-2507. Commission Review and Approval of DSM and RET Programs
- R14-2-2508. Parity and Equity
- R14-2-2509. Reporting Requirements
- R14-2-2510. Cost Recovery
- R14-2-2511. Revenue Decoupling
- R14-2-2512. Cost-effectiveness
- R14-2-2513. Baseline Estimation
- R14-2-2514. Fuel Neutrality
- R14-2-2515. Monitoring, Evaluation, and Research
- R14-2-2516. Program Administration and Implementation
- R14-2-2517. Leveraging and Cooperation
- R14-2-2518. Compliance by Gas Distribution Cooperatives
- R14-2-2519. Compliance by Propane Companies
- R14-2-2520. Waiver from the Provisions of this Article

### ARTICLE 1. GENERAL PROVISIONS

#### R14-2-101. Accident reports

- A. Where not otherwise specifically prescribed by rule with respect to particular classes of public service corporations, all public service corporations shall report in writing by the end of the next working day to the Commission all accidents in which such public service corporations are involved, which result in death, personal injury to any person necessitating off-site medical attention, or property damage exceeding \$5,000.00. For

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purposes of this rule, off-site medical attention includes any medical treatment provided by medical professionals which requires transportation of the patient by ambulance, or treatment of the patient in an emergency room, or in-patient hospitalization. For those accidents in which it is not readily determinable if the property damage exceeds \$5,000.00, the public service corporation will have an additional two working days in which to submit its report. Any associated personal injuries requiring off-site medical attention would still have to be reported within the initial business day.

- B.** This report shall state, as accurately as possible, the dollar amount of the damage. If this amount is not known immediately, or if investigation discloses a 15% or greater variation from the amount in this report, a follow-up report shall be submitted.
- C.** If such accidents result in death or injury likely to result in death, a report shall also be made within 24 hours by telegraph or telephone stating the essential facts.

**Historical Note**

Former Section R14-2-101 repealed, former Section R14-2-103 renumbered as Section R14-2-101 without change effective March 2, 1982 (Supp. 82-2). Amended effective February 3, 1989 (Supp. 89-1).

**R14-2-102. Treatment of depreciation**

- A.** The following definitions shall apply in this Section unless the context otherwise requires:
1. "Accumulated depreciation" means the summation of the annual provision for depreciation from the time that the asset is first devoted to public service.
  2. "Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, or abandoning of physical assets, including the cost of transportation and handling incidental thereto.
  3. "Depreciation" means an accounting process which will permit the recovery of the original cost of an asset less its net salvage over the service life.
  4. "Depreciation rate" means the percentage rate applied to the original cost of an asset to yield the annual provision for depreciation.
  5. "Net salvage" means the salvage value of property retired less the cost of removal.
  6. "Original cost" means the cost of property at the time it was first devoted to public service.
  7. "Property retired" means assets which have been removed, sold, abandoned, destroyed, or which for any cause have been withdrawn from service and books of account.
  8. "Salvage value" means the amount received for assets retired, less any expenses incurred in selling or preparing the assets for sale; or if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate accounts.
  9. "Service life" means the period between the date an asset is first devoted to public service and the date of its retirement from service.
- B.** All public service corporations shall maintain adequate accounts and records related to depreciation practices, subject to the following:
1. Annual depreciation accruals shall be recorded.
  2. A separate reserve for each account or functional account shall be maintained.
  3. The cost of depreciable plant adjusted for net salvage shall be distributed in a rational and systemic manner over the estimated service life of such plant.

4. Public service corporations having less than \$250,000 in annual revenue shall not be required to maintain depreciation records by separate accounts but shall make annual composite accruals to accumulated depreciation for total depreciable plant.

- C.** Requests for depreciation rate changes and methods for estimating depreciation rates shall be as follows:
1. If a public service corporation seeks a change in its depreciation rates, it shall submit a request for such as part of a rate application in accordance with the requirements of R14-2-103.
  2. A public service corporation may propose any reasonable method for estimating service lives, salvage values, and cost of removal. The method shall be fully described in a request to change depreciation rates.
  3. Data and analyses supporting the change shall be submitted, including engineering data and assessment of the impact and appropriateness of the change for ratemaking purposes.
  4. Changed depreciation rates shall not become effective until the Commission authorizes such changes.
- D.** Upon the motion of any party or upon its own motion, the Commission may determine that good cause exists for granting a waiver from one or more of the requirements of this Section.

**Historical Note**

Former Section R14-2-102 repealed, former Section R14-2-127 renumbered as Section R14-2-102 without change effective March 2, 1982 (Supp. 82-2). Forward to the rule corrected as filed April 13, 1973 (Supp. 89-1). Section R14-2-102 repealed, new Section adopted effective April 9, 1992 (Supp. 92-2).

**R14-2-103. Defining Filing Requirements in Support of a Request by a Public Service Corporation Doing Business in Arizona for a Determination of the Value of Property of the Corporation and of the Rate of Return Thereon, or in Support of Proposed Increased Rates or Charges**

- A.** Purpose and definitions
1. Purpose: The purpose of this General Order is to define the specific financial and statistical information required to be filed with a request by a public service corporation doing business in Arizona for a determination of the value of the property of the corporation and of the rate of return to be earned thereon, with regard to proposed increased rates or charges. This General Order does not apply to the implementation of previously approved adjustment or escalation clauses.
  2. Applicability of rules: These rules shall apply to all electric, gas, telephone, telegraph, water and private fire protection public service corporations under the jurisdiction of the Commission. These rules are applicable both to all filings made after the effective date of this General Order and to any rate proceeding pending on the effective date of this General Order in which the Commission has issued no final decision. These rules are not intended to prohibit utilities from filing additional schedules, exhibits and other documents in which the Commission has issued no final decision. These rules are not intended to prohibit utilities from filing additional schedules, exhibits and other documents which may be material to the rate proceeding, nor are they intended to prohibit the Commission from considering such schedules, exhibits or other documents in making its determination. In pending proceedings, to the extent that the information required by this General Order is not included in the public service

corporation’s exhibits or is not otherwise in the record, such information shall be supplied as soon as possible unless a waiver is requested and granted pursuant to subsection (B)(5).

3. Definitions: Terminology used in this General Order is defined as follows:
  - a. “Accounting method” -- the accounting method prescribed or recognized by the Commission.
  - b. “Commission” -- The Arizona Corporation Commission.
  - c. “Cost of service” -- The total cost of providing service to a defined segment of customers, as determined by the application of logical and generally accepted cost analysis and allocation techniques.
  - d. “Department” -- A responsibility center within a combination utility where revenues and costs are accumulated by commodity or service rendered.
  - e. “Depreciated original cost” -- The cost of property to the person first devoting it to public service, less the depreciation reserve, which shall include accrued depreciation and amortization calculated in accordance with General Order R14-2-102. Depreciated original cost shall not include any goodwill or going concern value, nor shall it include certificate value in excess of payment made or costs incurred in the initial acquisition thereof.
  - f. “Exhibit” -- One or more schedules which support a rate filing or testimony in a rate proceeding.
  - g. “Filing” -- An application and required schedules, exhibits or other documents filed by a public service corporation to initiate any rate proceeding under this Section. For all Class A and B utilities and for Class C electric and gas utilities, the filing shall include direct testimony in support of the application. For Class C water, sewer, and telephone utilities and for all Class D and E utilities, the filing shall include a written description of the components of the application. Nothing in this Section shall be construed to prohibit a public service corporation, prior to making a filing, from giving the Commission informal pre-filing notice of its intent to make a filing. Such pre-filing notice would permit the Commission, on a tentative basis, to assign a hearing date and would permit agreement on an appropriate test year.
  - h. “Original cost rate base” -- An amount consisting of the depreciated original cost, prudently invested, of the property (exclusive of contributions and/or advances in aid of construction) at the end of the test

year, used or useful, plus a proper allowance for working capital and including all applicable pro forma adjustments.

- i. “Pro forma adjustments” -- Adjustments to actual test year results and balances to obtain a normal or more realistic relationship between revenues, expenses and rate base.
- j. “Projected year” -- The year immediately following the test year.
- k. “Projections” -- Estimate of future results of operations based upon known facts or logical assumptions concerning future events.
- l. “Prudently invested” -- Investments which under ordinary circumstances would be deemed reasonable and not dishonest or obviously wasteful. All investments shall be presumed to have been prudently made, and such presumptions may be set aside only by clear and convincing evidence that such investments were imprudent, when viewed in the light of all relevant conditions known or which in the exercise of reasonable judgment should have been known, at the time such investments were made.
- m. “Rate schedule” -- A schedule of rates and conditions for a specific classification of customer or for other specific services.
- n. “Reconstructed Cost New (RCND) Rate Base” -- An amount consisting of the depreciated reconstruction cost new of the property (exclusive of contributions and/or advances in aid of construction) at the end of the test year, used and useful, plus a proper allowance for working capital and including all applicable pro forma adjustments. Contributions and advances in aid of construction, if recorded in the accounts of the public service corporation, shall be increased to a reconstruction new basis.
- o. “Staff” -- The staff of the Commission or its designated representatives.
- p. “Test year” -- The one-year historical period used in determining rate base, operating income and rate of return. The end of the test year shall be the most recent practical date available prior to the filing.
- q. “Utilities” -- For purposes of the Section, utilities are electric, gas, telephone, water, sewer or any other that may be supplying service and/or commodities which in the future may be adjudged a public service corporation and under the jurisdiction of this Commission, are classified as follows:

|                | Annual Operating Revenue |                         |                        |                    |                   |
|----------------|--------------------------|-------------------------|------------------------|--------------------|-------------------|
|                | Class A                  | B                       | C                      | D                  | E                 |
| Electric & Gas | Exceeding 10,000,000     | 3,000,000 to 10,000,000 | 1,000,000 to 2,999,999 | 250,000 to 999,999 | Less than 250,000 |
| Water & Sewer  | Exceeding 10,000,000     | 3,000,000 to 10,000,000 | 1,000,000 to 2,999,999 | 250,000 to 999,999 | Less than 250,000 |
| Telephone      | Exceeding 10,000,000     | 3,000,000 to 10,000,000 | 1,000,000 to 2,999,999 | 250,000 to 999,999 | Less than 250,000 |

Annual operating revenues are those gross utility operating revenues derived from jurisdictional operations, including the requested rate relief. A combi-

nation utility is a utility which provides more than one of the commodities or services enumerated in this subsection. For combination utilities, the annual

Corporation Commission – Fixed Utilities

operating revenue, including the requested rate relief, for the specific subsidiary, department, or operating division requesting the rate change shall be used for classification purposes.

- r. “Working capital” -- A proper allowance for cash, materials and supplies and prepayments.

**B. Filing requirements:**

- 1. Information required from Class A, B, C and D Utilities: The information required to be prepared and submitted by Class A, B, C and D Utilities in conjunction with a filing is presented below. Corresponding schedule formats are contained in the Appendix of this General Order and denoted. These formats are not applicable to Class E utilities. The Appendix schedule formats A-1 through A-5 are a part of this General Order, and the Applicant’s

schedules should conform to these formats. All other Appendix schedule formats and descriptions are illustrative and the applicant’s specific formats may vary from that suggested in the Appendix. The substantive information requested, both on the Appendix schedule and in the body of this General Order, however, must be contained on the applicant’s schedules together with the titles and schedule numbers provided in the Appendix. Specific information items requested on the Appendix schedules may be omitted without formal waiver, from the filing where it is evident that said items are not applicable to the applicant’s business. The instructions and notes contained on the Appendix schedules shall be followed where applicable. Reconstruction Cost New Depreciated information not filed by the applicant shall be deemed waived.

|  | <b>Information</b>   | <b>Filing Required by</b>            | <b>Appendix Schedule Reference(s)</b> |
|--|--|--------------------------------------|---------------------------------------|
| <b>A. Summary Information:</b>                       |  |                                      |                                       |
| 1.   | A summary of the increase in revenue requirements and the spread of the revenue increase by customer classification.   | All classes                          | A-1                                   |
| 2.   | A summary of the results of operations for the test year and for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.       | All classes                          | A-2                                   |
| 3.   | A summary of the capital structure for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.                                 | Classes A & B                        | A-3                                   |
| 4.   | Construction expenditures and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.       | All classes                          | A-4                                   |
| 5.   | A summary of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.                         | Classes A & B                        | A-5                                   |
| <b>B. Rate Base Information:</b>                     |  |                                      |                                       |
| 1.   | A schedule showing the elements of original cost and RCND rate bases.  | All classes                          | B-1                                   |
| 2.   | A schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.   | All classes                          | B-2                                   |
| 3.   | A schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base.  | All classes                          | B-3                                   |
| 4.   | A schedule demonstrating the determination of reproduction cost new less depreciation at the end of the test period.   | All classes                          | B-4                                   |
| 5.   | A schedule showing the computation of working capital allowance.   | All classes                          | B-5                                   |
| <b>C. Test Year Income Statements:</b>               |  |                                      |                                       |
| 1.   | A test year income statement, with pro form adjustments.   | All classes                          | C-1                                   |
| 2.   | A schedule showing the detail of all pro forma adjustments.  | All classes                          | C-2                                   |
| 3.   | A schedule showing the incremental taxes and other expenses on gross revenues and the computation of an incremental gross revenue conversion factor.                                   | All classes                          | C-3                                   |
| <b>D. Cost of Capital Information:</b>               |  |                                      |                                       |
| 1.   | A schedule summarizing the elements in the capital structure at the end of the test year and the projected year, their related costs and the computation of the total cost of capital. | All classes                          | D-1                                   |
| 2.   | A schedule showing the detail of long-term and short-term debt at the end of the test year and the projected year and their total cost.  | Classes A & B                        | D-2                                   |
| 3.   | A schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.   | Classes A & B                        | D-3                                   |
| 4.   | A schedule summarizing conclusions of the required return on the common equity as of the end of the test year and the projected year.  | Classes A & B                        | D-4                                   |
| <b>E. Financial Statements and Statistical Data:</b> |  |                                      |                                       |
| 1.   | Comparative balance sheets for the end of the test year and the 2 fiscal years ended prior to the end of the test year.  | All classes                          | E-1                                   |
| 2.   | Comparative income statements for the test year and the 2 fiscal years ended prior to the end of the test year.  | All classes                          | E-2                                   |
| 3.   | Comparative statements of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year.  | Classes A & B                        | E-3                                   |
| 4.   | Statements of changes in stockholder’s equity for the test year and the 2 fiscal years ended prior to the end of the test year.  | Classes A & B                        | E-4                                   |
| 5.   | A comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of prior fiscal year.  | All classes                          | E-5                                   |
| 6.   | Comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the end of the test year.  | All classes of combination utilities | E-6                                   |
| 7.   | Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the 2 fiscal years ended prior to the end of the test year.                   | All classes                          | E-7                                   |

| Information   | Filing Required by  | Appendix Schedule Reference(s) |
|---|---|--------------------------------|
| 8. A comparative schedule of all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the end of the test year.  | All classes except Class D  | E-8                            |
| 9. Audited financial statements, if available, for the test year and the 2 fiscal years ended prior to the end of the test year. If the financial statements have not been audited, notes to the financial statements should be provided to indicate accounting method, depreciation lives and methods, income tax treatment and other important disclosures. | All classes   | E-9                            |
| F. Projections and Forecasts:   |   |                                |
| 1. A projected income statement for the projected year compared with actual test year results, at present rates and proposed rates.   | All classes   | F-1                            |
| 2. Projected changes in financial position for the projected year compared with the test year, at present rates and proposed rates.   | Classes A & B   | F-1                            |
| 3. Projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year, compared with the test year.   | Classes A & B<br>3 years<br>Classes C & D<br>1 year                           | F-3                            |
| 4. Important assumptions used in preparing forecasts and projections.   | All classes   | F-4                            |
| G. Cost of Service Information  |   |                                |
| A utility shall submit cost of service analyses and studies if all of the following conditions prevail:   |   |                                |
| 1. The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design.  |   |                                |
| 2. Costs incurred by the utility are likely to vary significantly from 1 defined segment of customers to another.   |   |                                |
| A historical accounting period other than the test year may be used for cost of service purposes provided that customer mix in the historical period used is representative of the test year. When a cost of service analysis is required, the following information shall be submitted:  |   |                                |
| 1. Schedule showing rates of return by customer classification at present and proposed rates.   | Classes A, B and C<br>if applicable   | G-1<br>G-2                     |
| 2. Schedules showing the approach used in allocating or assigning plant and expenses to classes of service and defined functions.   | Classes A, B and C<br>if applicable   | G-3<br>G-4<br>G-5<br>G-6       |
| 3. Schedules showing the development of all allocation factors used in the all allocation factors used in the cost of service study.  | Classes A, B and C<br>if applicable   | G-7                            |
| H. Effect of Proposed Rate Schedules:   |   |                                |
| 1. A comparison of revenues by customer classification or other classification of revenues for the test year, at present and proposed rates.  | All classes   | H-1                            |
| 2. A comparison of revenues by class of service and by rate schedule for the test year, at present and proposed rates.  | Classes A & B   | H-2                            |
| 3. A comparison of present and proposed rate schedules or representative rate schedules.  | Class A<br>representative schedules;<br>Classes B, C and D -<br>all schedules | H-3                            |
| 4. Typical bill analysis  | All classes   | H-4                            |
| 5. Bill count   | All classes   | H-5                            |

2. Information required from Class E Utilities: The information required to be prepared and submitted by a Class E Utility in support of a filing is as follows:
  - a. A statement of income for the test year similar in format to Schedule C-1 or E-2.
  - b. A balance sheet as of the end of the test year similar in format to Schedule E-1.
  - c. Utility plant account balances at the end of the test year similar in format to Schedule E-5.
  - d. An estimate of new investment in utility plant to be added in the projected year.
  - e. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates.

The appendix schedules shall be used as guides in presenting the information specified in this subsection.
3. A cooperative, as defined in R14-2-107, may initiate a rate proceeding by preparing and submitting a filing under this Section or, if eligible, by following the requirements of R14-2-107.
4. Separation of nonjurisdictional properties, revenues and expenses associated with the rendition of utility service

5. Additional information: The Commission may request that supplementary information in addition to that specifically required in subsection (B)(1) and (2) of this General Order be submitted by a utility either prior to or after a filing.
6. Waiver of requirements: Either prior to the filing or within 15 days from the date thereof, the Commission, after determining the existence of reasonable cause, by order may waive compliance with any or all of the requirements of this General Order. Such Waiver will be granted only upon written petition to the Commission. In said petition, the utility must demonstrate that the requirements sought to be waived are either not applicable to the rate matter which is the subject of the filing or that compliance therewith would place an undue burden on the utility.



## Corporation Commission – Fixed Utilities

7. Notice of sufficiency of a utility's filing: The staff will review each filing to ascertain whether it is in compliance with the provisions of this Section, including the instructions contained in subsection (B)(9) or in forms prescribed by the Commission. Within 30 days after receipt of the utility's filing, the staff shall file with Docket Control and serve on the utility a notice that the filing either is in compliance with the Commission's requirements or is deficient. A notice of deficiency must include an explanation of the defect found. If the staff fails to file any notice within the 30-day period, the utility's filing shall be deemed accepted as of the 31st day.
8. Production of out-of-state books and records: A utility shall produce or deliver in this state all or any of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
9. General filing instructions: In preparing the information specified in subsection (B)(1) and (2) of this General Order, the following instructions are applicable:
  - a. All schedules shall be mathematically correct and properly cross-referenced. The applicant shall ascertain that adequate detail has been provided to explain and support all significant items and amounts.
  - b. Amounts may be rounded, where appropriate, to the nearest thousand dollars for Class A utilities, to the nearest hundred dollars for Class B and C utilities and to the nearest dollar for Class D and E utilities.
  - c. Except for Class E utilities, all schedules shall be numbered as provided in the Appendix. Schedules prepared by all classes of utilities shall contain a date -- generally the preparation date or the filing date.
  - d. Headings on schedules shall clearly indicate the nature and intent of the schedule and the dates or time periods covered.

At the date of filing, a minimum of 10 complete sets of the applicant's schedules and exhibits shall be provided to the Commission.
10. Staff assistance in preparing a filing: The staff will, consistent with other workload requirements, be available to provide assistance to an applicant in preparing a filing.
11. Timing of Commission action on a filing:
  - a. For all Class A and B utilities and for Class C electric and gas utilities, the Hearing Officer shall issue a procedural schedule in the rate case within 30 days from the date that a filing is accepted pursuant to subsection (B)(7).
  - b. Unless otherwise ordered by the Commission, the staff shall file its Staff Report and/or testimony within the following number of days from the date that a filing is accepted pursuant to subsection (B)(7):
    - i. For Class A utilities, within 180 days.
    - ii. For Class B utilities, within 180 days.
    - iii. For Class C utilities, within 135 days.
    - iv. For Class D utilities, within 75 days.
    - v. For Class E utilities, within 60 days.
  - c. For all Class A utilities, the Hearing Officer shall issue a recommended order in the rate case at least 20 days prior to the last regularly scheduled open meeting in the time period calculated pursuant to subsection (B)(11)(d). For all other utilities, the Hearing Officer shall issue a recommended order at least 10 days prior to the last regularly scheduled open meeting in the time period calculated pursuant to subsection (B)(11)(d).
  - d. The Commission shall issue a final order that disposes of all issues involved in all parts or phases of the proceeding within the following number of days from the date that a filing is accepted pursuant to subsection (B)(7):
    - i. For Class A utilities, within 360 days.
    - ii. For Class B utilities, within 360 days.
    - iii. For Class C utilities, within 270 days.
    - iv. For Class D utilities, within 180 days.
    - v. For Class E utilities, within 120 days.
  - e. Upon motion of any party to the matter or on its own motion, the Commission or the Hearing Officer may determine that the time periods prescribed by subsection (B)(11)(d) should be extended or begin again due to:
    - i. Any amendment to a filing which changes the amount sought by the utility or substantially alters the facts used as a basis for the requested change in rates or charges; or
    - ii. An extraordinary event, not otherwise provided for by this subsection.
  - f. If a hearing is conducted to evaluate a filing, the time periods prescribed by subsection (B)(11)(a) shall be extended three days for each one day of actual hearing on the merits of the filing.
  - g. The time periods prescribed by subsection (B)(11)(a) shall not be applicable to any filing submitted by a utility which has more than one rate application before the Commission at the same time.
  - h. In the event no final order has been issued within the time periods specified in this subsection, the utility may request any time thereafter that the Commission schedule a hearing to consider putting new rates or charges into effect, on an interim basis subject to refund, for all consumption thereafter. To put such rates or charges into effect, the utility would be required to file a bond to be approved by the Commission payable to the state of Arizona in such amount and with sufficient security to insure prompt payment of any refunds to the persons entitled thereto, including an interest rate as determined by the Commission not to exceed the maximum interest otherwise allowable by law, if the rates or charges so put into effect are finally determined by the Commission to be excessive. The utility may substitute for the bond other arrangements satisfactory to the Commission for the protection of the parties involved. The Commission shall issue a final order on a request for interim rates within 60 days plus the number of interim hearing days from the filing date of the request.

Corporation Commission – Fixed Utilities

**ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
RATE APPLICATION FILING REQUIREMENTS**

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**APPENDIX**

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**ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
INDEX OF SCHEDULES**

| Schedule No.   | Title  | Filing Required By                      |
|--|--|---|
| <b>A. Summary Schedules</b>                              |  |   |
| A-1  | Computation of Increase in Gross Revenue Requirements        | All classes                             |
| A-2  | Summary Results of Operations                                | All classes                             |
| A-3  | Summary of Capital Structure                                 | Classes A & B                           |
| A-4  | Construction Expenditures and Gross Utility Plant in Service | All classes                             |
| A-5  | Summary Changes in Financial Position                        | Classes A & B                           |
| <b>B. Rate Base Schedules</b>                            |  |   |
| B-1  | Summary of Original Cost and RCND Rate Base Elements         | All classes                             |
| B-2  | Original Cost Rate Base Pro forma Adjustments                | All classes                             |
| B-3  | RCND Rate Base Pro forma Adjustments                         | All classes                             |
| B-4  | RCND by Major Plant Accounts                                 | All classes                             |
| B-5  | Computation of Working Capital                               | All classes                             |
| <b>C. Test Year Income Statements</b>                    |  |   |
| C-1  | Adjusted Test Year Income Statement                          | All classes                             |
| C-2  | Income Statement Pro forma Adjustments                       | All classes                             |
| C-3  | Computation of Gross Revenue Conversion Factor               | All classes                             |
| <b>D. Cost of Capital</b>                                |  |   |
| D-1  | Summary Cost of Capital                                      | All classes                             |
| D-2  | Cost of Long Term and Short Term Debt                        | Classes A & B                           |
| D-3  | Cost of Preferred Stock                                      | Classes A & B                           |
| D-4  | Cost of Common Equity  | Classes A & B                           |
| <b>E. Financial Statements and Statistical Schedules</b> |  |   |
| E-1  | Comparative Balance Sheets                                   | All classes                             |
| E-2  | Comparative Income Statements                                | All classes                             |
| E-3  | Comparative Statement of Changes in Financial Position       | Classes A & B                           |
| E-4  | Statement of Changes in Stockholders' Equity                 | Classes A & B                           |
| E-5  | Detail of Utility Plant                                      | Classes A & B                           |
| E-6  | Comparative Departmental Operating Income Statements         | All classes of<br>combination utilities |
| E-7  | Operating Statistics   | All classes                             |
| E-8  | Taxes Charged to Operations                                  | Classes, A, B & C                       |
| E-9  | Notes to Financial Statements                                | All classes                             |

## Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

## APPENDIX

INDEX OF SCHEDULES  
(Continued)

| Schedule No. | Title  | Filing Required By   |
|--------------|--|--|
| F.           | Projections and Forecasts  |  |
| F-1          | Projected Income Statements - Present and Proposed Rates                               | All classes  |
| F-2          | Projected Charges in Financial Position - Present and Proposed Rates                   | Classes A & B  |
| F-3          | Projected Construction Requirements  | Classes A & B - (3 years)<br>Classes C & D - (1 year)              |
| F-4          | Assumptions Used in Developing Projections   | All classes  |
| G.           | Cost of Service Analyses   |  |
| G-1          | Cost of Service Summary - Present Rates  | Special requirement  |
| G-2          | Cost of Service Summary - Proposed Rates   | Special requirement  |
| G-3          | Rate Base Allocation to Classes of Service   | Special requirement  |
| G-4          | Expense Allocation to Classes of Service   | Special requirement  |
| G-5          | Distribution of Rate Base by Function  | Special requirement  |
| G-6          | Distribution of Expenses by Function   | Special requirement  |
| G-7          | Development of Allocation Factors  | Special requirement  |
| H.           | Effect of Proposed Tariff Schedules  |  |
| H-1          | Summary of Revenues by Customer Classification - Present and Proposed Rates            | All classes  |
| H-2          | Analysis of Revenues by Detailed Class of Service - Present and Proposed Rates Classes | Classes A & B  |
| H-3          | Changes in Representative Rate Schedules   | Class A, representative schedules; Classes B, C, & D all schedules |
| H-4          | Typical Bill Analysis  | All classes  |
| H-5          | Bill Count   | All classes  |

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX A.  
SUMMARY SCHEDULES

|   |  |
|---|--|
| ARIZONA CORPORATION COMMISSION<br>REGULATION R14-2-103<br>APPENDIX<br>ILLUSTRATIVE SCHEDULE FORMAT  | Schedule: <u>          A-1          </u><br>Title: <u>Computation of Increase in Gross Revenue Requirements.</u>   |
| Explanation:<br>Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification. | Required For:<br>All Utilities <input checked="" type="checkbox"/> Special Reqmt. <input type="checkbox"/><br>Class A <input type="checkbox"/><br>Class B <input type="checkbox"/><br>Class C <input type="checkbox"/><br>Class D <input type="checkbox"/> |

|   | <u>Original Cost RCND</u> |              |
|---|---------------------------|--------------|
| 1. Adjusted Rate Base                             | \$ _____ (a)              | \$ _____ (a) |
| 2. Adjusted Operating Income                      | \$ _____ (b)              | \$ _____ (b) |
| 3. Current Rate of Return                         | _____ %                   | _____ %      |
| 4. Required Operating Income                      | \$ _____                  | \$ _____     |
| 5. Required Rate of Return                        | _____ %                   |              |
| _____ %   |                           |              |
| 6. Operating Income Deficiency (4 - 2)            | \$ _____                  |              |
| 7. Gross Revenue Conversion Factor                | _____ (c)                 |              |
| 8. Increase in Gross Revenue Requirements (6 x 7) | \$ _____                  |              |

| <u>Customer Classification</u> | <u>Projected Revenue Increase Due to Rates</u> | <u>% Dollar Increase</u> |
|--------------------------------|--|--------------------------|
| Residential                    | \$ _____                                       | _____ %                  |
|                                |  | (d)                      |
|                                | \$ _____                                       | _____ %                  |

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

- (a) B-1      (c) C-3                                      (b) C-1      (d) H-1

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:           A-2            
 Title: Summary Results of Operations

Explanation:  
 Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required For:  
 All Utilities  Special Reqmt.   
 Class A   
 Class B   
 Class C   
 Class D

| Description  | Test Year              |                        | Present        |                 |                | Projected Year    |                    |
|--|------------------------|------------------------|----------------|-----------------|----------------|-------------------|--------------------|
|  | Y/E <u>    </u><br>(a) | Y/E <u>    </u><br>(a) | Actual<br>(a)  | Adjusted<br>(b) | Rates<br>(c)   | Proposed<br>Rates | <u>    </u><br>(c) |
| 1. Gross Revenues  |                        |                        |                |                 |                |                   |                    |
| 2. Revenue Deductions & Operating Expenses                                   |                        |                        |                |                 |                |                   |                    |
| 3. Operating Income  | \$ <u>    </u>         | \$ <u>    </u>         | \$ <u>    </u> | \$ <u>    </u>  | \$ <u>    </u> | \$ <u>    </u>    | <u>    </u>        |
| 4. Other Income and Deductions   |                        |                        |                |                 |                |                   |                    |
| 5. Interest Expense  |                        |                        |                |                 |                |                   |                    |
| 6. Net Income  | \$ <u>    </u>         | \$ <u>    </u>         | \$ <u>    </u> | \$ <u>    </u>  |                | \$ <u>    </u>    | \$ <u>    </u>     |
| 7. Earned Per Average Common Share*  |                        |                        |                |                 |                |                   |                    |
| 8. Dividends Per Common Share*   |                        |                        |                |                 |                |                   |                    |
| 9. Payout Ratio*   |                        |                        |                |                 |                |                   |                    |
| 10. Return on Average Invested Capital                                       |                        |                        |                |                 |                |                   |                    |
| 11. Return on Year End Capital   |                        |                        |                |                 |                |                   |                    |
| 12. Return on Average Common Equity  |                        |                        |                |                 |                |                   |                    |
| 13. Return on Year End Common Equity   |                        |                        |                |                 |                |                   |                    |
| 14. Times Bond Interest Earned - Before Income Taxes                         |                        |                        |                |                 |                |                   |                    |
| 15. Times Total Interest and Preferred Dividends Earned - After Income Taxes |                        |                        |                |                 |                |                   |                    |

Supporting Schedules:

- (a) E-2
- (b) C-1
- (c) F-1

\*Optional for projected year

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:           A-3            
Title: Summary of Capital Structure

Explanation:  
Schedule showing comparative capital structures for the last 3 historical years, including the test year, and the projected year.

Required For:  
All Utilities  Special Reqmt   
Class A   
Class B   
Class C   
Class D

| Description                          | Prior Years |             | Test Year   |             | Projected Year |
|--------------------------------------|-------------|-------------|-------------|-------------|----------------|
|                                      | At ____ (a) | At ____ (a) | At ____ (a) | At ____ (c) |                |
| 1. Short-Term Debt                   |             |             |             |             |                |
| 2. Long-Term Debt                    |             |             |             |             |                |
| 3. TOTAL DEBT \$ _____               | \$ _____    | \$ _____    |             |             | \$ _____       |
| 4. Preferred Stock                   |             |             |             |             |                |
| 5. Common Equity                     | _____       | _____       | _____       |             | _____          |
| 6. Total Capital                     | \$ _____    | \$ _____    | \$ _____    |             | \$ _____       |
| <u>Capitalization Ratios:</u>        |             |             |             |             |                |
| 7. Short-Term Debt                   |             |             |             |             |                |
| 8. Long-Term Debt                    |             |             |             |             |                |
| 9. TOTAL DEBT _____%                 | _____%      | _____%      | _____%      |             | _____%         |
| 10. Preferred Stock                  |             |             |             |             |                |
| 11. Common Equity                    | <u>100%</u> | <u>100%</u> | <u>100%</u> |             | <u>100%</u>    |
| 12. Weighted Cost of Short-Term Debt | _____%      | _____%      | _____%      |             | _____%         |
| 13. Weighted Cost of long-Term Debt  | _____%      | _____%      | _____%      |             | _____%         |
| 14. Weighted Cost of Senior Capitol  | _____%      | _____%      | _____%      |             | _____%         |

Supporting Schedules:  
(a) E-1  
(b) D-1

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: \_\_\_\_\_ A-4 \_\_\_\_\_

Title: Construction Expenditures and Gross  
Utility Plant in Service

Explanation:  
Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

| Year                | Construction Expenditures<br>(a) | Net Plant Placed<br>In ServicePlant In Service<br>(b) | Gross Utility |
|---------------------|----------------------------------|---|---------------|
| 1. 19 ____          | \$                               | \$ \$   |               |
| 2. 19 ____          |                                  |   |               |
| 3. Test Year        |                                  |   |               |
| 4. Projected Year   |                                  |   |               |
| 5. Projected ____ * |                                  |   |               |
| 6. Projected ____ * |                                  |   |               |

\* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) F-3  
(b) E-5

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:         A-5        

Title: Summary Changes In Financial  
 Position

Explanation:  
 Schedule showing sources and application of funds in  
 summary format.

Required For:  
 All Utilities  Special Reqmt

- Class A
- Class B
- Class C
- Class D

| Description                  | Prior Years (a) |     | Test Year (a) | Projected Present Rates (b) | Proposed Rates (b) |
|------------------------------|-----------------|-----|---------------|-----------------------------|--------------------|
|                              | Y/E             | Y/E | Y/E           |                             |                    |
| <u>Sources of Funds:</u>     |                 |     |               |                             |                    |
| 1. Operations                | \$              | \$  | \$            | \$                          | \$                 |
| 2. Outside Financing         |                 |     |               |                             |                    |
| 3. Total Funds Provided      | \$              | \$  | \$            | \$                          | \$                 |
| <u>Application of Funds:</u> |                 |     |               |                             |                    |
| 4. Construction Expenditures | \$              | \$  | \$            | \$                          | \$                 |
| 5. Other                     |                 |     |               |                             |                    |
| 6. Total Funds Applied\$     | \$              | \$  | \$            | \$                          |                    |

Supporting Schedules:

- (a) E-3
- (b) F-2



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX B  
RATE BASE SCHEDULES

|  |  |
|--|--|
| ARIZONA CORPORATION COMMISSION<br>REGULATION R14-2-103<br>APPENDIX<br>ILLUSTRATIVE SCHEDULE FORMAT | Schedule: <u>      B-1      </u><br>Title: Summary of Original Cost and RCND<br>Base Elements  |
| Explanation:<br>Schedule showing elements of adjusted original cost and RCND rate bases.           | Required For:<br>All Utilities <input checked="" type="checkbox"/> Special Reqmt. <input type="checkbox"/><br>Class A <input type="checkbox"/><br>Class B <input type="checkbox"/><br>Class C <input type="checkbox"/><br>Class D <input type="checkbox"/> |

|   | Rate<br>Base*   | RCND         |
|---|-----------------|--------------|
| 1. Gross Utility Plant in Service       | \$ _____        |              |
| 2. Less: Accumulated Depreciation       | _____           | _____        |
| 3. Net Utility Plant in Service         | \$ (a)    \$    | (b)          |
| Less:                                   |                 |              |
| 4. Customers' Advances for Construction | (c)             | (c)          |
| 5. Contributions in Aid of Construction | _____ (c) _____ | (c)          |
| Add:                                    |                 |              |
| 6. Allowance for Working Capital        | (d)             | (d)          |
|   | _____           | _____        |
| 7. Total Rate Base                      | \$ _____ (e)    | \$ _____ (e) |
| * Including pro forma adjustments       | _____           | _____        |

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2                      (d) B-5
- (b) B-3
- (c) E-1

Recap Schedules:

A-1

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:         B-2        

Title: Original Cost Rate Base Pro forma Adjustments

Explanation:  
Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Required For:

- All Utilities  Special Reqmt.   
 Class A   
 Class B   
 Class C   
 Class D

|                                   | Actual<br>at End of<br>Test Year<br><u>(a)</u> | <u>Pro forma Adjustments</u> |   |          | Adjusted<br>at End of<br>Test Year<br><u>(b)</u> |          |
|-----------------------------------|--|------------------------------|---|----------|--|----------|
|                                   |  | <u>A</u>                     | - | <u>B</u> | <u>Z</u>   |          |
| 1. Gross Utility Plant in Service | \$ _____                                       | \$ _____                     |   | \$ _____ | \$ _____   | \$ _____ |
| 2. Less: Accumulated Depreciation | _____  | _____                        |   | _____    | _____  | _____    |
| 3. Net Utility Plant in Service   | \$ _____                                       | \$ _____                     |   | \$ _____ | \$ _____   | \$ _____ |

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) E-1

(b)

Recap Schedules:

B-1

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:           B-3          

Title: RCND Rate Base Pro forma  
Adjustments

Explanation:  
Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the RCN rate base.

Required For:

- All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|                                   | Actual<br>at End of<br>Test Year<br><u>(a)</u> |          | <u>Pro forma Adjustments</u> |          | Adjusted<br>at End of<br>Test Year<br><u>(b)</u> |
|-----------------------------------|--|----------|------------------------------|----------|--|
|                                   |  | <u>A</u> | <u>B</u>                     | <u>Z</u> |  |
| 1. Gross Utility Plant in Service | \$ _____                                       | \$ _____ | \$ _____                     | \$ _____ | \$ _____   |
| 2. Less: Accumulated Depreciation | _____  | _____    | _____                        | _____    | _____  |
| 3. Net Utility Plant in Service   | \$ _____                                       | \$ _____ | \$ _____                     | \$ _____ | \$ _____   |

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) B-4

(b)

Recap Schedules:

B-1

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: \_\_\_\_\_ B-4 \_\_\_\_\_

Title: RCND by Major Plant Accounts

Explanation:  
 Schedule showing the determination of Reproduction  
 Cost New Less Depreciation at end of Test Period.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

| <u>Plant Account</u> | <u>Description</u> | <u>RCN</u> | <u>Condition Percent</u> | <u>RCND</u> |
|----------------------|--------------------|------------|--------------------------|-------------|
|----------------------|--------------------|------------|--------------------------|-------------|

|  |           |       |       |
|--|-----------|-------|-------|
|  | Total (a) | _____ | _____ |
|--|-----------|-------|-------|

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
 RCND Study

a)

Recap Schedules:  
 B-3

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: \_\_\_\_\_ B-5 \_\_\_\_\_

Title: Computation of Working Capital

Explanation:  
Schedule showing computation of working capital allowance.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

Amount

- 1. Cash working capital \$ \_\_\_\_\_
- 2. Materials and Supplies Inventories (a) \_\_\_\_\_
- 3. Prepayments \_\_\_\_\_ (a)
- 4. Total Working Capital Allowance \$ \_\_\_\_\_ (b)

NOTES:

- 1. Adequate detail should be provided to determine the bases for the above computations.
- 2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
- 3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:

(a) E-1 b)

Recap Schedules:

B-1

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX C.  
TEST YEAR INCOME STATEMENTS

|   |  |
|---|--|
| ARIZONA CORPORATION COMMISSION<br>REGULATION R14-2-103<br>APPENDIX<br>ILLUSTRATIVE SCHEDULE FORMAT          | Schedule: <u>      C-1      </u><br>Title: <u>Adjusted Test Year Income Statement</u>  |
| Explanation:<br>Schedule showing statement of income for the test year,<br>including pro forma adjustments. | Required For:<br>All Utilities <input checked="" type="checkbox"/> Special Reqmt. <input type="checkbox"/><br>Class A <input type="checkbox"/><br>Class B <input type="checkbox"/><br>Class C <input type="checkbox"/><br>Class D <input type="checkbox"/> |

| <u>Description</u> | (a)<br>Actual<br>For The<br>Test Year<br><u>Ended</u><br>\$ | Pro forma<br><u>Adjustments</u><br>\$ | Test Year<br>Results<br>After<br>Pro forma<br><u>Adjustments</u><br>\$ |
|--------------------|---|---------------------------------------|--|
| Revenues:          |   |                                       |  |
|                    |   |                                       |  |
| Expenses:          |   |                                       |  |
|                    |   |                                       |  |
| Operating Income   | \$ _____  | \$ _____                              | \$ _____ (c)   |
|                    |   |                                       |  |
| Net Income         | \$ _____  | \$ _____                              | \$ _____   |

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) E-2
- (b) C-2

(c)

Recap Schedules:

A-1

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       C-2      

Title: Income Statement Pro forma  
Adjustments

Explanation:  
Schedule itemizing pro forma adjustments to the test  
year income statement.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

| Description      | A  | B  | Z  | Total (a)<br>Adjustments |
|------------------|----|----|----|--------------------------|
| Revenues:        | \$ | \$ | \$ | \$                       |
| ⋈                |    |    |    |                          |
| Expenses:        |    |    |    |                          |
| ⋈                |    |    |    |                          |
| Operating Income |    |    |    |                          |
| ⋈                |    |    |    |                          |
| Net Income       |    |    |    |                          |

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:

Recap Schedules:  
(a) C-1

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       C-3        
Title: Computation of Gross Revenue  
Conversion Factor

Explanation:  
Schedule showing incremental taxes on gross revenues  
and the development of a gross revenue conversion factor.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

      Description        
Federal Income Taxes

Percentage of  
Incremental  
Gross Revenues  
                                  %

State Income Taxes

Other Taxes and Expenses: (Specify):

\_\_\_\_\_

Total Tax Percentage

\_\_\_\_\_%

Operating Income % = 100% - Tax Percentage

      1       = Gross Revenue Conversion Factor  
Operating Income %

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:  
A-1



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX D.  
COST OF CAPITAL

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       D-1        
Title: Summary Cost of Capital

Explanation:  
Schedule showing elements of capital structure  
and the related cost.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|                     |                         | <u>End of Test Year</u> |             |                      | <u>End of Projected Year</u> |               |             |                      |                       |
|---------------------|-------------------------|-------------------------|-------------|----------------------|------------------------------|---------------|-------------|----------------------|-----------------------|
|                     | <u>Invested Capital</u> | <u>Amount</u>           | <u>%</u>    | <u>Cost Rate (e)</u> | <u>Composite Cost</u>        | <u>Amount</u> | <u>%</u>    | <u>Cost Rate (e)</u> | <u>Composite Cost</u> |
|                     |                         | \$                      |             | %                    | %                            | \$            |             | %                    | %                     |
| Long-Term Debt (a)  |                         |                         |             |                      |                              |               |             |                      |                       |
| Preferred Stock (b) |                         |                         |             |                      |                              |               |             |                      |                       |
| Common Equity (c)   |                         |                         |             |                      |                              |               |             |                      |                       |
| Short Term Debt (a) |                         |                         |             |                      |                              |               |             |                      |                       |
| Deferrals (d)       |                         |                         |             | <u>-0-</u>           |                              |               |             | <u>-0-</u>           |                       |
|                     | \$                      |                         | <u>100%</u> | <u>%</u>             | <u>%</u>                     | \$            | <u>100%</u> | <u>%</u>             | <u>%</u>              |

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       D-3      

Title: Cost of Preferred Stock

Explanation:  
 Schedule showing computation of cost of preferred stock.

Required For:

All Utilities  Special Reqmt   
 Class A   
 Class B   
 Class C   
 Class D

| <u>Description of Issue</u> | <u>End of Test Year</u>   |               |                             | <u>Shares Outstanding</u> | <u>End of Projected Year</u> |                             |
|-----------------------------|---------------------------|---------------|-----------------------------|---------------------------|------------------------------|-----------------------------|
|                             | <u>Shares Outstanding</u> | <u>Amount</u> | <u>Dividend Requirement</u> |                           | <u>Amount</u>                | <u>Dividend Requirement</u> |
|                             |                           | \$            | \$                          |                           | \$                           | \$                          |
|                             | _____                     | _____         | _____                       | _____                     | _____                        | _____                       |
| Total (a)                   | _____                     | \$ _____ (b)  | \$ _____                    |                           | \$ _____                     | \$ _____                    |
| Cost Rate (a)               |                           | _____ %       |                             |                           | _____ %                      |                             |

Supporting Schedules:

(b) E-1

(a)

Recap Schedules:

D-1

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: \_\_\_\_\_ D-4 \_\_\_\_\_

Title: Cost of Common Equity

Explanation:

Schedule summarizing conclusions on the required rate of return on common equity as of the end of the test year and the projected year or exhibits in support thereof.

Required For:

- All Utilities  Special Reqmt
- Class A
- Class B
- Class C
- Class D

Supporting Schedules:  
Special Studies

Recap Schedules:  
(D-1)

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX E.  
FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     E-1    

Title: Comparative Balance Sheet

Explanation:  
Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| <u>ASSETS</u>                |     | <u>Test Year</u><br><u>At</u> | <u>Prior Year</u><br><u>At</u> | <u>Prior Year</u><br><u>At</u> |
|------------------------------|-----|-------------------------------|--------------------------------|--------------------------------|
| Property, plant & equipment: | (a) | \$                            | \$                             | \$                             |

~~~~~  
~~~~~

Current Assets:

~~~~~  
~~~~~

|       |       |       |
|-------|-------|-------|
| \$    | \$    | \$    |
| _____ | _____ | _____ |

LIABILITIES and STOCKHOLDERS' EQUITY

|                 |     |    |    |    |
|-----------------|-----|----|----|----|
| Capitalization: | (b) | \$ | \$ | \$ |
|-----------------|-----|----|----|----|

~~~~~  
~~~~~

Current Liabilities:

~~~~~  
~~~~~

|       |       |       |
|-------|-------|-------|
| \$    | \$    | \$    |
| _____ | _____ | _____ |

Supporting Schedules:

(a) E-5

(b)

Recap Schedules:

A-3

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-2      

Title: Comparative Income Statements

Explanation:  
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|  | <u>Test Year</u><br><u>Ended</u> | <u>Test Year</u><br><u>Ended</u> | <u>Test Year</u><br><u>Ended</u> |
|--|----------------------------------|----------------------------------|----------------------------------|
| Revenues: (a)  | \$ _____                         | \$ _____                         | \$ _____                         |
| Operating Expenses: (a)                                |                                  |                                  |                                  |
| Current Assets:  |                                  |                                  |                                  |
| Operating Income (a)                                   | \$ _____                         | \$ _____                         | \$ _____                         |
| Other income and deductions:                           | _____                            | _____                            | _____                            |
| Interest   |                                  |                                  |                                  |
| Net Income   | \$ _____                         | \$ _____                         | \$ _____                         |
|  | _____                            | _____                            | _____                            |
| Preferred Dividends                                    | _____                            | _____                            | _____                            |
| Earnings Available for Common Stock                    | _____                            | _____                            | _____                            |
| Earnings Per Share of Average Common Stock Outstanding | _____                            | _____                            | _____                            |

Supporting Schedules:  
(a) E-6

Recap Schedules:  
A-2

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-3      

Title: Comparative Statement of Changes  
in Financial Position

Explanation:

Schedule showing comparative changes in financial position for the test year and the 2 years ended prior to the test year.

Required For:

- All Utilities  Special Reqmt
- Class A
- Class B
- Class C
- Class D

|                              | <u>Test Year</u><br><u>Ended</u> | <u>Test Year</u><br><u>Ended</u> | <u>Test Year</u><br><u>Ended</u> |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <u>Source of Funds</u>       | \$                               | \$                               | \$                               |
| From Operations:             |                                  |                                  |                                  |
| Financing:                   |                                  |                                  |                                  |
| Total Funds Provided         | \$ _____                         | \$ _____                         | \$ _____                         |
| <u>Application of Funds:</u> | \$                               | \$                               | \$                               |
| Construction Expenditures    |                                  |                                  |                                  |
| Dividends                    |                                  |                                  |                                  |
| Other Items:                 |                                  |                                  |                                  |
|                              | \$ _____                         | \$ _____                         | \$ _____                         |

Supporting Schedules:

Recap Schedules:

A-5

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-4      

Title: Statement of Change in Stockholders' Equity

Explanation:  
 Schedule showing changes in stockholders' equity for the test year and the 2 years ended prior to the test year.

Required For:

- All Utilities  Special Reqmt
- Class A
- Class B
- Class C
- Class D

|  | <u>Preferred<br/>Shares</u> | <u>Stock<br/>Amount</u> | <u>Common<br/>Shares</u> | <u>Stock<br/>Amount</u> | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Retained<br/>Earnings</u> |
|--|-----------------------------|-------------------------|--------------------------|-------------------------|---|------------------------------|
| Balance, Jan. 1, 19 <u>      </u>                        |                             | \$                      |                          | \$                      | \$  | \$                           |
| Net Earnings   |                             |                         |                          |                         |   |                              |
| Cash Dividends-Preferred                                 |                             |                         |                          |                         |   |                              |
| Cash Dividends-Common                                    |                             |                         |                          |                         |   |                              |
| Preferred Stock Issued:                                  |                             |                         |                          |                         |   |                              |
| Common Stock Issued:                                     | <u>      </u>               | \$ <u>      </u>        | <u>      </u>            | \$ <u>      </u>        | \$ <u>      </u>                          | \$ <u>      </u>             |
| Balance, Dec. 31, 19 <u>      </u>                       | <u>      </u>               | \$ <u>      </u>        | <u>      </u>            | \$ <u>      </u>        | \$ <u>      </u>                          | \$ <u>      </u>             |
| }  |                             |                         |                          |                         |   |                              |
| Balance, Dec. 31, 19 <u>      </u>                       | <u>      </u>               | \$ <u>      </u>        | <u>      </u>            | \$ <u>      </u>        | \$ <u>      </u>                          | \$ <u>      </u>             |
| }  |                             |                         |                          |                         |   |                              |
| Balance, Dec. 31, 19 <u>      </u><br>(End of Test Year) | <u>      </u>               | \$ <u>      </u>        | <u>      </u>            | \$ <u>      </u>        | \$ <u>      </u>                          | \$ <u>      </u>             |

Supporting Schedules:

Recap Schedules:



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:        E-5       

Title: Detail of Utility Plant

Explanation:

Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required For:  
 All Utilities  Special Reqmt.   
 Class A   
 Class B   
 Class C   
 Class D

| <u>Account Number</u> | <u>Description</u>            | <u>End of Test Year At</u> | <u>Net Additions</u> | <u>End of Prior Year At</u> |
|-----------------------|-------------------------------|----------------------------|----------------------|-----------------------------|
|                       | Production Plant-Steam:       |                            |                      |                             |
| XXX                   | Land & Land Rights            | \$ _____                   | \$ _____             | \$ _____                    |
| XXX                   | Structures and Improvements   |                            |                      |                             |
|                       | Total Plant in Service        | \$ _____                   | _____                | _____                       |
|                       | Accumulated Depreciation      | \$ _____                   | \$ _____             | \$ _____                    |
|                       | Net Plant in Service          | \$ _____                   | \$ _____             | \$ _____                    |
|                       | Construction Work In Progress | _____                      | _____                | _____                       |
|                       | Total Net Plant               | \$ _____                   | \$ _____             | \$ _____                    |

Note: For combination utilities, the above information should be presented by department.

Supporting Schedules:

Recap Schedules:

E-1  
 A-4

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-6      

Title: Comparative Departmental Operating  
Income Statements

Explanation:

Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

Required For:

All Utilities  Special Reqmt.   
 x Class A  All  
 Class B  classes of  
 Class C  Combination  
 Utilities

Department \_\_\_\_\_

|                           | Test Year<br>Ended _____ | Prior Year<br>Ended _____ | Prior Year<br>Ended _____ |
|---------------------------|--------------------------|---------------------------|---------------------------|
| Revenues:                 | \$ _____                 | \$ _____                  | \$ _____                  |
| Residential<br>~          |                          |                           |                           |
| Total Revenues            | \$ _____                 | \$ _____                  | \$ _____                  |
| Operating Expenses*:<br>~ |                          |                           |                           |
| Total Operating Expenses  | \$ _____                 | \$ _____                  | \$ _____                  |
| Operating Income          | \$ _____                 | \$ _____                  | \$ _____                  |

\* Including allocation of general and administrative expenses.

Supporting Schedules:

Recap Schedules:  
E-2

ARIZONA CORPORATION COMMISSION  
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ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-7      

Title: Operating Statistics

Explanation:  
Schedule showing key operating statistics in comparative format, for the test year and the 2 fiscal years ended prior to the test year.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

Electric Statistics

|              |              |              |
|--------------|--------------|--------------|
| Test Year    | Prior Year   | Prior Year   |
| <u>Ended</u> | <u>Ended</u> | <u>Ended</u> |

- KWH Sales-By Class of Service
- Avg. No. of Customers-By Class of Service
- Avg. KWH Use-By Class of Service
- Avg. Annual Revenue Per Residential Customer
- KWH Production Expense
- KWH Trans. Expense

Gas Statistics:

- MCF or Therm Sales-By Class of Service
- Avg. No. of Customers-By Class of Service
- Avg. MCF or Therm Use-By Class of Service
- Avg. Annual Revenue Per Residential Customer
- Production Expense Per MCF or Therm
- Storage and Trans. Expense Per MCF or Therm

Water Statistics:

- Gallons Sold-By Class of Service
- Avg. No. of Customers-By Class of Service
- Avg. Annual Gallons Per Residential Customer
- Avg. Annual Revenue Per Residential Customer
- Pumping Cost Per 1,000 Gallons

Telephone Statistics:

- Main Telephones
- Company Telephones
- Revenue Per Main Telephone
- Messages
- Net Plant in Service Per Telephone

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-8      

Title: Taxes Charged to Operations

Explanation:

A schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.

Required For:

- All Utilities  Special Reqmt
- Class A
- Class B
- Class C
- Class D

| <u>Description</u> | Test Year<br>Ended _____ | Prior Year<br>Ended _____ | Prior Year<br>Ended _____ |
|--------------------|--------------------------|---------------------------|---------------------------|
| Federal Taxes:     | \$ _____                 | \$ _____                  | \$ _____                  |
| }                  |                          |                           |                           |
|                    | \$ _____                 | \$ _____                  | \$ _____                  |
| State Taxes        | \$ _____                 | \$ _____                  | \$ _____                  |
| }                  |                          |                           |                           |
|                    | \$ _____                 | \$ _____                  | \$ _____                  |
| Local Taxes:       | \$ _____                 | \$ _____                  | \$ _____                  |
| }                  |                          |                           |                           |
|                    | \$ _____                 | \$ _____                  | \$ _____                  |
| Total Taxes        | \$ _____                 | \$ _____                  | \$ _____                  |

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       E-9      

Title: Notes to Financial Statements

Explanation:  
 Disclosure of important facts pertaining to the understanding of the financial statements.

Required For:

All Utilities  Special Reqmt.   
 Class A   
 Class B   
 Class C   
 Class D

Disclosures should include, but not be limited to the following:

1. Accounting method.
2. Depreciation lives and methods employed by major classifications of utility property.
3. Income tax treatment - normalization or flow through.
4. Interest rate used to charge interest during construction, if applicable.

Supporting Schedules:

Recap Schedules:

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
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APPENDIX F.  
PROJECTIONS AND FORECASTS

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       F-1      

Title: Projected Income Statements - Present  
and Proposed Rate

Explanation:  
Schedule showing an income statement for the projected year, compared with actual test year results, at present rates proposed rates.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|   | Actual<br>Test Year<br>Ended _____ (a)<br>\$ _____ | Projected Year<br>At Present<br>Rates<br>Year<br>Ended _____ (b)<br>\$ _____ | At Proposed<br>Rates<br>Year<br>Ended _____ (b)<br>\$ _____ |
|---|--|--|---|
| Revenues:   |  |  |   |
| Operating Expenses:                                       |  |  |   |
| Operating Income  | \$ _____   | \$ _____   | \$ _____  |
| Other Income & Deductions:                                |  |  |   |
| Interest  | _____  | _____  | _____   |
| Net Income  | \$ _____   | \$ _____   | \$ _____  |
|   | _____  | _____  | _____   |
| Earnings per share of average<br>Common Stock Outstanding | \$ _____   | \$ <u>Optional</u>   | \$ <u>Optional</u>  |
| % Return on Common Equity                                 | _____ %  | _____ %  | _____ %   |
| <u>Supporting Schedules:</u><br>(a) E-2                   |  | (b)  | <u>Recap Schedules:</u><br>A-2                              |

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: F-2

Title: Projected Changes In Financial  
Present and Proposed Rates

Explanation:

Schedule showing projected changes in financial position for projected year compared with the test year, at present and proposed rates.

Required For:

All Utilities  Special Reqmt   
Class A   
Class B   
Class C   
Class D

|                         | Test Year<br>Ended (a) | Projected Year                           |   |
|-------------------------|------------------------|--|---|
|                         |                        | At Present<br>Rates<br>Year<br>Ended (b) | At Proposed<br>Rates<br>Year<br>Ended (b) |
| <u>Source of Funds:</u> | \$ _____               | \$ _____                                 | \$ _____                                  |

|                      |          |          |          |
|----------------------|----------|----------|----------|
| Total Funds Provided | \$ _____ | \$ _____ | \$ _____ |
|----------------------|----------|----------|----------|

Application of Funds:

|                      |          |          |          |
|----------------------|----------|----------|----------|
| Total Funds Provided | \$ _____ | \$ _____ | \$ _____ |
|----------------------|----------|----------|----------|

Details of Financing:

Changes in Short-term Debt:

Changes in Long-term Debt:

Changes in Preferred Stock:

Changes in Common Equity:

Supporting Schedules:

- (a) E-3
- (c) F-3

(b)

Recap Schedules:

A-5

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REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: F-3

Title: Projected Construction Requirements

Explanation:

Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Required For:

All Utilities  Special Reqmt   
 Class A  } 3 yrs.  
 Class B  } projected  
 Class C  } 1 yrs.  
 Class D  } projected

| <u>Property Classification</u> | Actual                   | <u>Projected</u>         |                          |                          |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                | Test Year<br>Ended _____ | Test Year<br>Ended _____ | Test Year<br>Ended _____ | Test Year<br>Ended _____ |
| Production Plant               | \$ _____                 | \$ _____                 | \$ _____                 | \$ _____                 |
| Transmission Plant             |                          |                          |                          |                          |
| Total Plant (a)                | \$ _____                 | \$ _____                 | \$ _____                 |                          |

NOTE:

For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:

(a) F-2 & A-4



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
 REGULATION R14-2-103  
 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:        F-4       

Title: Assumptions Used in Developing  
Projection

Explanation:  
 Documentation of important assumptions used in  
 preparing forecasts and projections.

Required For:  
 All Utilities  Special Reqmt.   
 Class A   
 Class B   
 Class C   
 Class D

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1. Customer growth
2. Growth in consumption and customer demand
3. Changes in expenses
4. Construction requirements, including production reserves and changes in plant capacity
5. Capital structure changes
6. Financing costs, interest rates

Supporting Schedules:

Recap Schedules:

ARIZONA CORPORATION COMMISSION  
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APPENDIX G  
COST OF SERVICE ANALYSES

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     G-1    

Title: Cost of Service Summary-Present Rates

Explanation:  
Schedule showing rates of return by customer classification at present rates.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|                                      | Customer Classification |          |          |          |
|--------------------------------------|-------------------------|----------|----------|----------|
|                                      | <u>Total</u>            | <u>A</u> | <u>B</u> | <u>Z</u> |
| Revenues (a)                         | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Expenses (b)                         |                         |          |          |          |
| Operating Income before Income Taxes |                         |          |          |          |
| Income Taxes                         | _____                   | _____    | _____    | _____    |
| Net Operating Income                 | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Rate Base (c)                        | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Rate of Return                       | %                       | %        | %        | %        |

Supporting Schedules:  
(a) H-1            (c) G-3  
(b) G-4

Recap Schedules:

Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     G-2    

Title: Cost of Service Summary-Proposed Rates

Explanation:  
Schedule showing rates of return by customer classification at proposed rates.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

|                                      | Customer Classification |          |          |          |
|--------------------------------------|-------------------------|----------|----------|----------|
|                                      | Total                   | A        | B        | Z        |
| Revenues (a)                         | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Expenses (b)                         |                         |          |          |          |
| Operating Income before Income Taxes |                         |          |          |          |
| Income Taxes                         | _____                   | _____    | _____    | _____    |
| Net Operating Income                 | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Rate Base (c)                        | \$ _____                | \$ _____ | \$ _____ | \$ _____ |
| Rate of Return                       | %                       | %        | %        | %        |

Supporting Schedules:  
(a) H-1      (c) G-3  
(b) G-4

Recap Schedules:

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     G-3      
Title: Rate Base Allocation to Classes of Service

Explanation:  
Schedule showing allocation of plant at original cost less depreciation to class of service.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| Class of Service | Total (a) |   | Demand Plant Function |      |   |      | Commodity Plant Function |   |   |      | Customer |          |
|------------------|-----------|---|-----------------------|------|---|------|--------------------------|---|---|------|----------|----------|
|                  | \$        | % | 1                     | 2    | 3 | etc. | 1                        | 2 | 3 | etc. | Gen.     | Specific |
| A                |           |   |                       |      |   |      |                          |   |   |      |          |          |
| B                |           |   |                       |      |   |      |                          |   |   |      |          |          |
| Z                | \$        |   |                       |      |   |      |                          |   |   |      |          |          |
| TOTAL            | \$        | % | \$(b)                 | %(c) |   |      |                          |   |   |      |          |          |

Supporting Schedules:

- (b) G-5
- (c) G-7

Recap Schedules:

- (a) G-1 & G-2

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     G-4      
Title: Expense Allocation to Classes of Service

Explanation:  
Schedule showing allocation of operating expenses to class of service.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| Class of Service | Total (a) |   | Demand Plant Function |   |   |   | Commodity Plant Function |   |   |      | Customer |          | Other |
|------------------|-----------|---|-----------------------|---|---|---|--------------------------|---|---|------|----------|----------|-------|
|                  | \$        | % | 1                     | 2 | 3 | 4 | 1                        | 2 | 3 | etc. | Gen.     | Specific |       |
| A                |           |   |                       |   |   |   |                          |   |   |      |          |          |       |





Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:        G-6       

Title: Distribution of Expenses by Function

Explanation:  
Schedule showing allocation of operating expenses  
to defined functions.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| Expense Classification       | Total |    | Demand   |    |    |    | Function* |      |          |       |  |  |
|------------------------------|-------|----|----------|----|----|----|-----------|------|----------|-------|--|--|
|                              |       |    | Customer |    |    |    | Commodity | Gen. | Specific | Other |  |  |
|                              |       |    | 1*       | 2* | 3* | 4* |           |      |          |       |  |  |
| \$                           | %     | \$ | %        |    |    |    |           |      |          |       |  |  |
| Production:                  |       |    |          |    |    |    |           |      |          |       |  |  |
| Transmission:                |       |    |          |    |    |    |           |      |          |       |  |  |
| Sales:                       |       |    |          |    |    |    |           |      |          |       |  |  |
| Administrative:              |       |    |          |    |    |    |           |      |          |       |  |  |
| Total Operating Expenses (a) | \$    | %  | \$       | %  |    |    |           |      |          |       |  |  |

\* Production Transmission, primary, secondary, etc.

Supporting Schedules:

Recap Schedules:  
(a) G-4

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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     G-7    

Title: Development of Allocation Factors

Explanation:  
Schedule(s) showing development of all allocation factors used in the cost of service study.

Required For:

- All Utilities  Special Reqmt.
- Class A
- Class B
- Class C
- Class D

Schedules should be provided to indicate how demand, commodity and customer allocation factors were developed. Demand method employed, e.g., peak, average and excess, non-coincident peak, should be disclosed supported with adequate detail.

Supporting Schedules:

Recap Schedules:

G-4

G-3



Corporation Commission – Fixed Utilities

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103

APPENDIX H.  
EFFECT OF PROPOSED TARIFF SCHEDULES


ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       H-1      

Title: Summary of Revenues by Customer  
Classification-Present and Proposed Rates

Explanation:  
Schedule comparing revenues by customer  
classification for the test year, at present and proposed rates.

Required For:  
All Utilities  Special Reqmt   
Class A   
Class B   
Class C   
Class D

| <u>Customer Classification</u>   | <u>Revenues in the Test Year (a)</u> |                       | <u>Proposed Increase (b)</u> |          |
|--|--------------------------------------|-----------------------|------------------------------|----------|
|  | <u>Present Rates</u>                 | <u>Proposed Rates</u> | <u>Amount</u>                | <u>%</u> |
| Residential  | \$ _____                             | \$ _____              | \$ _____                     | _____    |
| Industrial   |                                      |                       |                              |          |
|  |                                      |                       |                              |          |
| Total Revenues   | \$ _____                             | \$ _____              | \$ _____                     | _____    |

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) H-2

(b)

Recap Schedules:

A-1

ARIZONA CORPORATION COMMISSION  
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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:        H-2       

Title: Analysis of Revenue by Detailed Class

Explanation:  
Schedule comparing revenues by detailed class of service, for the test year, at present and proposed rates.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| Class of Service  | Average<br>Number<br>of Customers | Average<br>Consumption | Revenues         |                   | Proposed           |          |
|-------------------|-----------------------------------|------------------------|------------------|-------------------|--------------------|----------|
|                   |                                   |                        | Present<br>Rates | Proposed<br>Rates | Increase<br>Amount | %        |
| Residential:      |                                   |                        | \$               | \$                | \$                 |          |
| General           |                                   |                        |                  |                   |                    |          |
| Limited Service   |                                   |                        |                  |                   |                    |          |
|                   | _____                             | _____                  | _____            | _____             | _____              | _____    |
| Total Residential | _____                             | _____                  | \$ (a)           | \$ (a)            | \$ (a)             | \$ (a) % |
| Industrial:       |                                   |                        |                  |                   |                    |          |
| General service   |                                   |                        |                  |                   |                    |          |
| Optional service  |                                   |                        |                  |                   |                    |          |
|                   | _____                             | _____                  | _____            | _____             | _____              | _____    |
| Total Company     | _____                             | _____                  | \$ _____         | \$ _____          | \$ _____           | _____ %  |

Note: For combination utilities, above information should be presented by department.

Supporting Schedules:

Recap Schedules:  
(a)H-1

Corporation Commission – Fixed Utilities

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 APPENDIX  
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule:       H-3      

Title: Changes In Representative Rate Schedules

Explanation:  
 Schedule(s) comparing present rate schedules  
 with proposed rate schedule.

Required For:  
 All Utilities  Special Reqmt.   
 Class A  } Representative Schedules  
 Class B   
 Class C  } All Schedules  
 Class D

| Rate Schedule | Description              | Block            | Present Rate | Proposed Rate | Change    |
|---------------|--------------------------|------------------|--------------|---------------|-----------|
| 1             | Residential-Gen. Service | First 1,000 gal. | \$1.00       | \$1.25        | \$ .25    |
|               |                          | Next 1,000 gal.  | \$.08/100    | \$.10/100     | \$.02/100 |
|               | ⋮                        | ⋮                | ⋮            | ⋮             | ⋮         |
|               | ⋮                        | ⋮                | ⋮            | ⋮             | ⋮         |
| 12            | Industrial-Gen. Service  |                  |              |               |           |
|               | ⋮                        |                  |              |               |           |
|               | ⋮                        |                  |              |               |           |

Supporting Schedules:

ARIZONA CORPORATION COMMISSION  
REGULATION R14-2-103  
APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule:     H-4    

Title: Typical Bill Analysis

Explanation:  
Schedule(s) comparing typical customer bills at  
varying consumption levels at present and proposed rates.

Required For:  
All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

| Rate<br>Schedule | Description              | Monthly<br>Consumption | Present<br>Bill | Proposed<br>Bill | %<br>Increase |
|------------------|--------------------------|------------------------|-----------------|------------------|---------------|
| 1                | Residential-Gen. Service | 1,000 gal. or less     | \$1.00          | \$1.25           | 25.0%         |
|                  |                          | 5,000 gal.             | \$3.30          | \$ 3.80          | 15.2%         |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |
|                  |                          |                        |                 |                  |               |

Supporting Schedules:

Corporation Commission – Fixed Utilities

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APPENDIX  
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: \_\_\_\_\_ H-5 \_\_\_\_\_

Title: Bill Count

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

Required For:

All Utilities  Special Reqmt.   
Class A   
Class B   
Class C   
Class D

Rate Schedule: \_\_\_\_\_

Description: \_\_\_\_\_

| <u>Block</u> | <u>Number of Bills by Block</u> | <u>Consumption By Blocks</u> | <u>Cumulative Bills</u> |                   | <u>Cumulative Consumption</u> |                   |
|--------------|---------------------------------|------------------------------|-------------------------|-------------------|-------------------------------|-------------------|
|              |                                 |                              | <u>No.</u>              | <u>% of Total</u> | <u>Amount</u>                 | <u>% of Total</u> |

Average Number of Customers \_\_\_\_\_

Average Consumption \_\_\_\_\_

Median Consumption \_\_\_\_\_

Supporting Schedules:

Recap Schedules:

**Historical Note**

Former Section R14-2-103 renumbered as Section R14-2-101, former Section R14-2-128 renumbered as Section R14-2-103 without change effective March 2, 1982 (Supp. 82-2). Amended subsection (B) effective June 18, 1987 (Supp. 87-2). Amended effective August 31, 1992 (Supp. 92-3). Amended by final rulemaking at 19 A.A.R. 397, effective April 9, 2013 (Supp. 13-1). Amended by final rulemaking at 20 A.A.R. 3439, effective January 16, 2015 (Supp. 14-4).

**R14-2-104. Inspection of annual reports**

Pursuant to A.R.S. § 40-204(C), all utility annual reports and attachments thereto required to be filed pursuant to this Chapter shall be open to public inspection without further or special order of the Arizona Corporation Commission.

**Historical Note**

Former Section R14-2-104 repealed, new Section R14-2-104 adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-105. Notice of rate hearings**

- A. Every public service corporation shall give notice to customers affected of any hearing at which the fair value of that corporation's property is to be determined and just and reasonable rates and charges are to be established.
- B. The form and manner of such notice shall be as the Commission may direct by procedural order.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-106. Commission Color Code to Identify Location of Underground Facilities**

- A. If the location of an underground facility is marked with stakes, paint, or in some customary manner pursuant to A.R.S. § 40-360.21(13), the facility owner will use the following color code:

| <b>Facility Type</b>   | <b>Specific Color</b>         |
|--|-------------------------------|
| Electric Power Distribution and Transmission   | Safety Red                    |
| Gas Distribution and Transmission; Oil Product Distribution and Transmission; Dangerous Materials, Product Lines | High Visibility Safety Yellow |
| Telephone and Telegraph System; Cable Television   | Safety Alert Orange           |

|                                  |                                       |
|----------------------------------|---------------------------------------|
| Fiber Optics Communication Lines | The Letter “F” in Safety Alert Orange |
| Water Systems; Slurry Pipelines  | Safety Precaution Blue                |
| Reclaimed Water Systems          | Purple                                |
| Sanitary Sewer Systems           | Safety Green                          |

**UNACCEPTABLE FACILITY LOCATION COLORS:**

Fluorescent Pink - This shall be considered a land surveyor marking.

White - This shall be reserved for excavator markings.

- B.** Excavators and Underground Facility Owners shall consider use of the color fluorescent pink to be indicative of land survey markings and not location markings for any underground facility. Surveyors may place aerial photogrammetric markings (targets) using the color white; such marking shall have a fluorescent pink dot not less than two inches in diameter placed within one foot of any edge of the aerial marking. Fluorescent pink shall not be used by excavators or Underground Facility Owners.
- C.** Excavators making markings pursuant to A.R.S. § 40-360.22(C) are required to use the color white.
- D.** Colors similar to those listed in R14-2-106(A) through R14-2-106(C) shall not be used for other than their listed purpose.

**Historical Note**

Adopted effective September 5, 1986 (Supp. 86-5).

Amended effective June 4, 1993, under an exemption from the Attorney General certification requirements of the Arizona Administrative Procedure Act (Supp. 93-2).

Amended effective August 16, 1996 (Supp. 96-3).

Amended by final rulemaking at 8 A.A.R. 971, effective February 19, 2002 (Supp. 02-1).

**R14-2-107. Electric or Natural Gas Cooperative Alternative Rate Application Filing Requirements and Process****A.** Definitions. In this Section, unless otherwise specified:

- “Base revenue” means the revenue generated by permanent rates and charges, excluding:
  - Revenue generated through adjustor mechanisms, and
  - Revenue generated through miscellaneous service charges.
- “CFC” means the National Rural Utilities Cooperative Finance Corporation.
- “Commission” means the Arizona Corporation Commission.
- “Cooperative” means a legal entity that is:
  - A domestic corporation or a foreign corporation authorized to transact business in this state;
  - Operated as a not-for-profit or non-profit;
  - Owned and controlled by its members; and
  - Operating as a public service corporation in this state by providing either electric utility services or natural gas utility services.
- “Docket Control” means the organizational unit within the Commission’s Hearing Division that accepts, records, and maintains filings.
- “FERC” means the Federal Energy Regulatory Commission.
- “File” means to submit to Docket Control, with the required number of copies and in an acceptable format, for recording under an appropriate docket number.
- “Full permanent rate case decision” means a Commission decision:

- Issued on an application filed under R14-2-103 and not under this Section,
  - In which the Commission ascertained the fair value of a public service corporation’s property within Arizona and established a schedule of rates and charges for the public service corporation’s provision of utility services within Arizona, and
  - Not issued under A.R.S. § 40-252.
- “Non-price tariff change” means modification of one or more tariff provisions, either through altering existing tariff language or adding new tariff language, in a manner that substantively alters a requirement other than a rate or charge.
  - “Rate schedule” means a schedule of rates and conditions for a specific classification of customer or for other specific services.
  - “Rate structure change” means any of the following:
    - Introduction of a new rate schedule;
    - Elimination of an existing rate schedule;
    - A change in base revenue generated by any one rate class greater than 150% of the overall base revenue increase;
    - A change greater than 25% in the customer charge within a rate schedule for residential customers; or
    - A change in the rate blocks or the percentage relationship of the prices among rate blocks.
  - “RUS” means United States Department of Agriculture, Rural Utilities Service.
  - “Staff” has the same meaning as in R14-2-103.
  - “Test year” means the one-year historical period used in determining rate base, operating income, and rate of return, which shall have an ending date within nine months before the filing date for a rate application under this Section and shall include at least six months during which a cooperative’s current rates and charges were in effect.
  - “Timely” means in the manner and before the deadline prescribed in this Section.
- B.** Eligibility Requirements. A cooperative may file and pursue a rate application under this Section rather than R14-2-103 if all of the following eligibility requirements are met:
- The cooperative is classified as a Class A, B, or C utility under R14-2-103(A)(3)(q);
  - A full permanent rate case decision for the cooperative has been issued within the 180-month period immediately preceding the filing of the cooperative’s rate application;
  - The cooperative has not filed a rate application under this Section within the 12 months immediately preceding the filing of the cooperative’s rate application;
  - The cooperative’s rate application is the first, second, third, fourth, or fifth rate application filed by the cooperative under this Section since its last full permanent rate case decision was issued;
  - The cooperative is required by law or contract to make a certified annual financial and statistical report to a federal agency, such as RUS or FERC, or an established national non-profit lender that specializes in the utility industry, such as CFC or CoBank.
  - The test year used in the cooperative’s rate application complies, without waiver, to the definition of a test year in subsection (A);
  - The cooperative’s rate application includes audited financials for a period ending no more than nine months before the beginning of the test year;

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8. The cooperative's rate application does not propose an increase in total base revenue amounting to more than 6% of the actual test year total base revenue;
  9. The cooperative's rate application uses its original cost rate base as its fair value rate base;
  10. The cooperative's rate application proposes only a change in rates and charges and does not propose any of the following:
    - a. A change in an existing adjustor or surcharge mechanism;
    - b. Adoption of a new adjustor or surcharge mechanism, unless incorporating a charge or charges otherwise previously approved by the Commission; or
    - c. Adoption of a new hook-up fee or another new type of fee;
  11. The cooperative's rate application does not propose a rate structure change or a non-price tariff change;
  12. The cooperative's rate application does not request financing approval or other approvals and does not request consolidation with another docket;
  13. The customer notice provided by the cooperative conformed to the requirements of subsection (D) and was approved by Staff;
  14. For a distribution cooperative, the objections timely submitted by the cooperative's customers represent no more than 5% of all customer accounts or no more than 1,000 customer accounts, whichever is fewer; and
  15. For a generation or transmission cooperative, no member distribution cooperative has filed a timely objection to the application, and the objections timely submitted by retail customers served by member distribution cooperatives represent no more than 3,000 customer accounts.
- C. Pre-Filing Requirements.** Before filing a rate application under this Section, a cooperative shall:
1. Analyze the cooperative's eligibility under subsection (B);
  2. Submit to Staff, in both hard copy and electronic (with formulae intact) formats, a Request for Pre-Filing Eligibility Review, which shall include a draft application including the items and information described in subsections (E)(1) through (6), a copy of the Proposed Form of Notice to be sent to the cooperative's customers, and a Proposed Form of Recommended Order;
  3. No sooner than 30 days after the date Staff receives the Request for Pre-Filing Eligibility Review, meet with Staff to discuss the cooperative's eligibility under subsection (B) and any Staff modifications to the Proposed Form of Notice;
  4. After meeting with Staff, if the cooperative decides to pursue a rate application under this Section, file a Request for Docket Number and Proposed Form of Notice for Staff approval; and
  5. At least 20 days before filing a rate application under this Section, provide Notice of the application, conforming to the requirements of subsection (D) and as approved by Staff, as follows:
    - a. If a distribution cooperative, by sending the Notice, by First Class Mail, to each of the cooperative's customers; and
    - b. If a generation or transmission cooperative, by publishing the Notice in at least one newspaper of general circulation in the service territory of each member distribution cooperative served and by sending the Notice, by First Class Mail, to each member distribution cooperative served.
- D. Notice Requirements.** A cooperative shall ensure that the Notice sent as required under subsection (C)(5) is in a form approved by Staff and that it includes, at a minimum, all of the following:
1. The cooperative's name and contact information;
  2. The docket number assigned to the cooperative's rate application proceeding;
  3. A summary of the rate relief requested by the cooperative in its rate application;
  4. For a distribution cooperative, the monthly bill impact to a residential customer with average usage and to a residential customer with median usage if the requested rate relief were granted by the Commission;
  5. For a distribution cooperative, the monthly bill impact to a residential customer with average usage and to a residential customer with median usage if the cooperative were granted rate relief equal to a 6% increase of the actual test year total base revenue;
  6. For a generation or transmission cooperative, the estimated rate and revenue impact to each member distribution cooperative served if the requested rate relief were granted by the Commission;
  7. Instructions for viewing or obtaining filed documents;
  8. Information regarding the Commission's process under this Section;
  9. The deadline to file intervention requests and objections, which shall be a date no earlier than 30 days after the date Notice is mailed to customers;
  10. Instructions for requesting intervention and submitting objections; and
  11. Information regarding disability accommodations.
- E. Filing Requirements.** No later than 50 days after completing the provision of Notice as required by subsection (C)(5), a cooperative may file in the assigned docket a rate application under this Section, which shall include the following:
1. The legal name of the cooperative and identification of the test year;
  2. A waiver of the use of reconstruction cost new rate base to determine the cooperative's fair value rate base;
  3. A copy of the most recent certified annual financial and statistical report submitted by the cooperative to a federal agency, such as RUS or FERC, or an established national non-profit lender that specializes in the utility industry, such as CFC or CoBank;
  4. A copy of audited financials for the cooperative, for a period ending no earlier than nine months before the beginning of the test year;
  5. The information listed in the table in R14-2-103(B)(1) for Schedules A-1, A-4, and A-5, which shall be submitted in the format provided in Appendix Schedules A-1, A-4, and A-5;
  6. The information listed in the table in R14-2-103(B)(1) for Schedules B-2, B-5, C-1, C-2 (if applicable), C-3 (if a taxable entity), D-2, E-1, E-2 (with the same year-ending date as the test year and the same level of detail as shown for the test year in Schedule C-1), E-5 through E-7, E-8 (if a taxable entity), E-9, F-1, F-2, F-3, F-4, and H-1 through H-5, which:
    - a. Shall be included on schedules labeled consistently with and containing the substantive information corresponding to the Appendix Schedules,
    - b. Shall conform to the instructions and notes contained on the corresponding Appendix Schedules,
    - c. May be submitted in the format provided in the Appendix Schedules or formatted in an alternate manner, and

- d. May omit information that is not applicable to the cooperative's operations;
7. A copy of the Notice sent and, if applicable, published, as required under subsection (C)(5); and
8. Proof that the Notice was sent and, if applicable, published, as required under subsection (C)(5), at least 20 days, and no more than 50 days, before the date the rate application is filed.
- F.** Pre-Eligibility-Review Objections and Requests. Any person desiring to object to the cooperative's rate application or to request intervention in the cooperative's rate case shall file an objection or request no later than the date specified in the Notice provided pursuant to subsection (C)(5).
- G.** Late Objections. In determining the cooperative's eligibility to proceed with its rate application under this Section, Staff shall not consider any objection that is filed after the deadline in the Notice provided pursuant to subsection (C)(5).
- H.** Eligibility and Sufficiency Review. Within 14 days after the deadline for objections and intervention requests specified in the Notice provided pursuant to subsection (C)(5), Staff shall:
1. Review the cooperative's rate application, along with any objections timely filed under subsection (F), to determine whether the cooperative is eligible, under subsection (B), to pursue its rate application under this Section;
  2. File either a Notice of Eligibility or a Notice of Ineligibility;
  3. If the cooperative is eligible, complete the following:
    - a. Conduct a sufficiency review of the cooperative's rate application;
    - b. Determine whether the rate application complies with the requirements of subsection (E); and
    - c. File either a Notice of Sufficiency that classifies the cooperative as provided in R14-2-103(A)(3)(q) or a Notice of Deficiency that lists and explains each defect in the rate application that must be corrected to make the rate application sufficient.
- I.** Eligibility and Sufficiency Determinations. Staff's determinations of eligibility, ineligibility, sufficiency, and deficiency are final and are not Commission decisions or Commission orders under A.R.S. §§ 40-252 and 40-253.
- J.** Request for Processing under R14-2-103. Within 30 days after a Notice of Ineligibility is filed, a cooperative may file a Request for Processing under R14-2-103. If a cooperative files a Request for Processing under R14-2-103, all further activity under this Section shall cease, and the cooperative's rate application shall be deemed a new rate application, filed under R14-2-103, on the date the Request for Processing under R14-2-103 is filed.
- K.** Docket Closure. If a Request for Processing under R14-2-103 is not filed within 30 days after a Notice of Ineligibility is filed, the Hearing Division shall issue a procedural order administratively closing the docket.
- L.** Action on Notice of Deficiency. After Staff files a Notice of Deficiency:
1. The cooperative shall promptly address each defect listed in the Notice of Deficiency and file all necessary corrections and information to bring the rate application to sufficiency; and
  2. Within 14 days after receiving the cooperative's corrections and information, Staff shall again take the actions described in subsections (H)(3) through (5).
- M.** Substantive Review and Staff Report. After Staff files a Notice of Sufficiency, Staff shall:
1. Conduct a substantive review of the rate application;
  2. Prepare a Staff Report that shall include Staff's recommendations and may include a Request for Hearing that complies with subsection (O);
  3. If including a Request for Hearing, file the Staff Report within the following number of days after the Notice of Sufficiency is filed:
    - a. If the cooperative is a Class A utility, 100 days;
    - b. If the cooperative is a Class B utility, 100 days; and
    - c. If the cooperative is a Class C utility, 75 days; and
  4. If not including a Request for Hearing, file the Staff Report and a Recommended Order within the following number of days after the Notice of Sufficiency is filed:
    - a. If the cooperative is a Class A utility, 120 days;
    - b. If the cooperative is a Class B utility, 120 days; and
    - c. If the cooperative is a Class C utility, 95 days.
- N.** Responses to Staff Report. Within 10 days after Staff files a Staff Report:
1. The cooperative shall file a Response to the Staff Report, which may include a Request for Hearing that complies with subsection (O) or a Request for Withdrawal; and
  2. Each intervenor shall file a Response to the Staff Report, which may include a Request for Hearing that complies with subsection (O).
- O.** Request for Hearing. A Request for Hearing shall include, at a minimum, an explanation of the requesting party's reasons for believing that an evidentiary hearing should be held; a summary of each issue on which the party believes evidence should be provided; and a recitation of the witnesses and documentary evidence that the requesting party believes could be produced to provide evidence on each issue.
- P.** Action on Request for Hearing. The Hearing Division shall rule on each Request for Hearing and may require party responses, including oral argument, or other proceedings at its discretion in considering a Request for Hearing. If a hearing is granted, the Hearing Division shall preside over all further proceedings in the case.
- Q.** Action on Request for Withdrawal. The Hearing Division shall rule on each Request for Withdrawal and may require party responses, including oral argument, or other proceedings at its discretion in considering a Request for Withdrawal. If withdrawal is granted, the Hearing Division shall issue a procedural order administratively closing the docket.
- R.** Requirement for Service. A party that files a document under this Section shall also serve a copy of the document on each other party to the case, by a method conforming to the requirements of A.A.C. R14-3-107(B) and (C).
- S.** Revenue Increase Cap. No Commission decision issued under this Section shall increase a cooperative's base revenue by more than 6% of the cooperative's actual test year total base revenue.
- T.** The Commission may, at any stage in the processing of a cooperative's rate application under this section, determine that the rate application shall instead proceed under R14-2-103.

#### Historical Note

New Section made by final rulemaking at 19 A.A.R. 397, effective April 9, 2013 (Supp. 13-1).

#### ARTICLE 2. ELECTRIC UTILITIES

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*



**R14-2-201. Definitions**

In this Article, unless the context otherwise requires, the following definitions shall apply. In addition, the definitions contained in Article 16, Retail Electric Competition, shall apply in this Article unless the context otherwise requires.

1. "Advance in aid of construction." Funds provided to the utility by the applicant under the terms of a line extension agreement the value of which may be refundable.
2. "Applicant." A person requesting the utility to supply electric service.
3. "Application." A request to the utility for electric service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission." The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month." The period between any two regular readings of the utility's meters at approximately 30 day intervals.
6. "Billing period." The time interval between two consecutive meter readings that are taken for billing purposes.
7. "Contributions in aid of construction." Funds provided to the utility by the applicant under the terms of a line extension agreement or service connection tariff the value of which is not refundable.
8. "Curtailed priority." The order in which electric service is to be curtailed to various classifications of customers, as set forth in the utility's filed tariffs.
9. "Customer." The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
10. "Customer charge." The amount the customers must pay the utility for the availability of electric service, excluding any electricity used, as specified in the utility's tariffs.
11. "Day." Calendar day.
12. "Demand." The rate at which power is delivered during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes, or other suitable units.
13. "Distribution lines." The utility lines operated at distribution voltage which are constructed along public roadways or other bona fide rights-of-way, including easements on customer's property.
14. "Elderly." A person who is 62 years of age or older.
15. "Energy." Electric energy, expressed in kilowatt-hours.
16. "Handicapped." A person with a physical or mental condition which substantially contributes to the person's inability to manage his or her own resources, carry out activities of daily living, or protect oneself from neglect or hazardous situations without assistance from others.
17. "Illness." A medical ailment or sickness for which a residential customer obtains a verified document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the customer's health.
18. "Inability to pay." Circumstances where a residential customer:
  - a. Is not gainfully employed and unable to pay, or
  - b. Qualifies for government welfare assistance, but has not begun to receive assistance on the date that he receives his bill and can obtain verification of that fact from the government welfare assistance agency.
  - c. Has an annual income below the published federal poverty level and can produce evidence of this, and
- d. Signs a declaration verifying that the customer meets one of the above criteria and is either elderly, handicapped, or suffers from illness.
19. "Interruptible electric service." Electric service that is subject to interruption as specified in the utility's tariff.
20. "Kilowatt (kw)." A unit of power equal to 1,000 watts.
21. "Kilowatt-hour (kwh)." Electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of 1 kilowatt.
22. "Line extension." The lines and equipment necessary to extend the electric distribution system of the utility to provide service to additional customers.
23. "Master meter." A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their individual usage.
24. "Megawatt (Mw)." A unit of power equal to 1,000,000 watts.
25. "Meter." The instrument for measuring and indicating or recording the flow of electricity that has passed through it.
26. "Meter tampering." A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
27. "Minimum charge." The amount the customer must pay for the availability of electric service, including an amount of usage, as specified in the utility's tariffs.
28. "Permanent customer." A customer who is a tenant or owner of a service location who applies for and receives permanent electric service.
29. "Permanent service." Service which, in the opinion of the utility, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature.
30. "Person." Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
31. "Point of delivery." The point where facilities owned, leased, or under license by a customer connects to the utility's facilities.
32. "Power." The rate of generating, transferring, or using electric energy, usually expressed in kilowatts.
33. "Premises." All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
34. "Residential subdivision development." Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
35. "Residential use." Service to customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
36. "Service area." The territory in which the utility has been granted a Certificate of Convenience and Necessity and is authorized by the Commission to provide electric service.
37. "Service establishment charge." The charge as specified in the utility's tariffs which covers the cost of establishing a new account.
38. "Service line." The line extending from a distribution line or transformer to the customer's premises or point of delivery.

39. "Service reconnect charge." The charge as specified in the utility's tariffs which must be paid by the customer prior to reestablishment of electric service each time the electricity is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the utility's tariffs.
40. "Service reestablishment charge." A charge as specified in the utility's tariffs for service at the same location where the same customer had ordered a service disconnection within the preceding 12-month period.
41. "Single family dwelling." A house, an apartment, a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a permanent home.
42. "Tariffs." The documents filed with the Commission which list the services and products offered by the utility and which set forth the terms and conditions and a schedule of the rates and charges, for those services and products.
43. "Temporary service." Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the utility, is for operations of a speculative character is also considered temporary service.
44. "Third-party notification." A notice sent to an individual or a public entity willing to receive notification of the pending discontinuance of service of a customer of record in order to make arrangements on behalf of said customer satisfactory to the utility.
45. "Utility." The public service corporation providing electric service to the public in compliance with state law, except in those instances set forth in R14-2-1612(A) and (B).
46. "Weather especially dangerous to health." That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed 32 degrees Fahrenheit for the next day's forecast. The Commission may determine that other weather conditions are especially dangerous to health as the need arises.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-202. Certificate of Convenience and Necessity for Electric Utilities

- A. Application for new Certificate of Convenience and Necessity. Six copies of each application for a new Certificate of Convenience and Necessity shall be submitted to the Commission, through Docket Control, in a form prescribed by the Commission and shall include, at a minimum, the following information:
  1. The proper name and correct address of the proposed utility company and its owner, if a sole proprietorship, each

partner, if a partnership, or the President and Secretary if a corporation.

2. The rates proposed to be charged for the service that will be rendered.
3. A financial statement setting forth the financial condition of the applicant.
4. Maps of the proposed service area or a description of the area proposed to be served.
5. Appropriate city, county and/or state agency approvals, where appropriate.
6. The actual number of customers within the service area as of the time of filing and the estimated number of customers to be served for each of the first five years of operation.
7. Such other information as the Commission by order or the staff of the Utilities Division by written directive may request.

#### B. Application for discontinuance or abandonment of utility service

1. Any utility proposing to discontinue or abandon utility service currently in use by the public shall prior to such action obtain authority therefor from the Commission.
2. The utility shall include in the application, studies of past, present and prospective customer use of the subject service, plant, or facility as is necessary to support the application.
3. An application shall not be required to remove individual facilities where a customer has requested service discontinuance.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-203. Establishment of Service

##### A. Information from new applicants

1. A utility may obtain the following minimum information from each new applicant for service:
  - a. Name or names of applicant or applicants.
  - b. Service address or location and telephone number.
  - c. Billing address/telephone number, if different than service address.
  - d. Address where service was provided previously.
  - e. Date applicant will be ready for service.
  - f. Indication of whether premises have been supplied with utility service previously.
  - g. Purpose for which service is to be used.
  - h. Indication of whether applicant is owner or tenant of or agent for the premises.
  - i. Information concerning the energy and demand requirements of the customer.
  - j. Type and kind of life-support equipment, if any, used by the customer.
2. Customer-specific information shall not be released without specific prior written customer authorization unless the information is requested by a law enforcement or other public agency, or is requested by the Commission

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or its staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and reliable service to the customer.

3. A utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
4. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.

**B. Deposits**

1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
  - a. The applicant has had service of a comparable nature with the utility within the past two years and was not delinquent in payment more than twice during the last 12 consecutive months or disconnected for nonpayment.
  - b. The applicant can produce a letter regarding credit or verification from an electric utility where service of a comparable nature was last received which states applicant had a timely payment history at time of service discontinuance.
  - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from a governmental or non-profit entity or a surety bond as security for the utility.
2. The utility may issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his or her right to receive a refund of the deposit which is reflected on the utility's records.
3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
4. Each utility shall file a deposit refund procedure with the Commission, through Docket Control, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded or letters of guarantee or surety bonds to expire after 12 months of service if the customer has not been delinquent more than twice in the payment of utility bills.
5. A utility may require a residential customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of two bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.
6. The amount of a deposit required by the utility shall be determined according to the following terms:
  - a. Residential customer deposits shall not exceed two times that customer's estimated average monthly bill.
  - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
8. A separate deposit may be required for each meter installed.
9. If a utility Distribution Company's customer with an established deposit elects to take competitive services from an Electric Service Provider, and is not currently delinquent in payments to the Utility Distribution Com-

pany, the Utility Distribution Company will refund a portion of the customer's deposit in proportion to the expected decrease in monthly billing. A customer returning to Standard Offer Service may be required to increase an established deposit in proportion to the expected increase in monthly billing.

**C. Grounds for refusal of service.** A utility may refuse to establish service if any of the following conditions exist:

1. The applicant has an outstanding amount due for the same class of utility service with the utility, and the applicant is unwilling to make arrangements with the utility for payment.
2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
3. Refusal by the applicant to provide the utility with a deposit when the customer has failed to meet the credit criteria for waiver of deposit requirements.
4. Customer is known to be in violation of the utility's tariffs filed with the Commission.
5. Failure of the customer to furnish such funds, service, equipment, or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
6. Applicant falsifies his or her identity for the purpose of obtaining service.

**D. Service establishments, re-establishments or reconnection charge**

1. Each utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services, including transfers between Electric Service Providers.
2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection. Where the utility scheduling will not permit service establishment on the same day requested, the customer can elect to pay the after-hour charge for establishment that day or the customer's service will be established on the next available normal working day.
3. For the purpose of this rule, the definition of service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install a meter, read a meter, or turn the service on.
4. Service establishments with an Electric Service Provider will be scheduled for the next regular meter read date if the direct access service request is provided 15 calendar days prior to that date and appropriate metering equipment is in place. If a direct access service request is made in less than 15 days prior to the next regular read date, service will be established at the next regular meter read date thereafter. The utility may offer after-hours or earlier service for a fee. This Section shall not apply to the establishment of new service but is limited to a change of providers of existing electric service.

**E. Temporary service**

1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the utility.

4. If at any time during the term of the agreement for services the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's line extension rules shall apply.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-204. Minimum Customer Information Requirements

##### A. Information for residential customers

1. A utility shall make available upon customer request not later than 15 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. The monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
  - b. Rate blocks, where applicable.
  - c. Any adjustment factor and method of calculation.
2. The utility shall to the extent practical identify its tariff that is most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, a utility shall make available upon customer request, not later than 60 days from date of service commencement, a concise summary of the utility's tariffs or the Commission's rules and regulations concerning:
  - a. Deposits
  - b. Termination of service
  - c. Billing and collection
  - d. Complaint handling.
4. Each utility upon request of a customer shall transmit a written statement of actual consumption by such customer for each billing period during the prior 12 months unless such data is not reasonably ascertainable.
5. Each utility shall inform all new customers of their right to obtain the information specified above.

##### B. Information required due to changes in tariffs

1. Each utility shall transmit to affected customers a concise summary of any change in the utility's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5

A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-205. Master Metering

##### A. Mobile home parks -- new construction/expansion

1. A utility shall refuse service to all new construction or expansion of existing permanent residential mobile home parks unless the construction or expansion is individually metered by the utility. Line extensions and service connections to serve such expansion shall be governed by the line extension and service connection tariff of the appropriate utility.
2. Permanent residential mobile home parks for the purpose of this rule shall mean mobile home parks where, in the opinion of the utility, the average length of stay for an occupant is a minimum of six months.
3. For the purpose of this rule, expansion means the acquisition of additional real property for permanent residential spaces in excess of that existing at the effective date of this rule.

##### B. Residential apartment complexes, condominiums, and other multiunit residential buildings

1. Master metering shall not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation or air conditioning system and the contractor can provide to the utility an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship.
2. At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units:
  - a. Equipment and labor costs,
  - b. Financing costs,
  - c. Maintenance costs,
  - d. Estimated kwh usage,
  - e. Estimated kw demand on a coincident demand and noncoincident demand basis (for individual units),
  - f. Cost of meters and installation, and
  - g. Customer accounting cost (one account vs. several accounts).

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-206. Service Lines and Establishments

##### A. Priority and timing of service establishments

1. After an applicant has complied with the utility's application and deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service establishment.

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2. Service establishments shall be scheduled for completion within five working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the five working day limitation.
  3. When a utility has made arrangements to meet with a customer for service establishment purposes and the utility or the customer cannot make the appointment during the prearranged time, the utility shall reschedule the service establishment to the satisfaction of both parties.
  4. A utility shall schedule service establishment appointments within a maximum range of four hours during normal working hours, unless another time-frame is mutually acceptable to the utility and the customer.
  5. Service establishments shall be made only by qualified utility service personnel.
  6. For the purposes of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install or read a meter or turn the service on.
- B. Service lines**
1. Customer provided facilities
    - a. Each applicant for services shall be responsible for all inside wiring including the service entrance and meter socket.
    - b. Meters and service switches in conjunction with the meter shall be installed in a location where the meters will be readily and safely accessible for reading, testing and inspection and where such activities will cause the least interference and inconvenience to the customer. However, the meter locations shall not be on the front exterior wall of the home; or in the carport or garage, unless mutually agreed to between the home builder or customer and the utility. The customer shall provide, without cost to the utility, at a suitable and easily accessible location, sufficient and proper space for installation of meters.
    - c. Where the meter or service line location on the customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense all wiring and equipment necessary for relocating the meter and service line connection and the utility may make a charge for moving the meter or service line.
  2. Company provided facilities
    - a. Each utility shall file, in Docket Control, for Commission approval, a service line tariff which defines the maximum footage or equipment allowance to be provided by the utility at no charge. The maximum footage or equipment allowance may be differentiated by customer class.
    - b. The cost of any service line in excess of that allowed at no charge shall be paid for by the customer as a contribution in aid of construction.
    - c. A customer requesting an underground service line in an area served by overhead facilities shall pay for the difference between an overhead service connection and the actual cost of the underground connection as a nonrefundable contribution.
- C. Easements and rights-of-way**
1. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
2. When a utility discovers that a customer or customer's agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or customer's agent and shall take whatever actions are necessary to eliminate the hazard, obstruction, or violation at the customer's expense.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).
- Editor's Note: The following Section was amended under an exemption from the Attorney General certification provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not certified by the Attorney General.*
- R14-2-207. Line Extensions**
- A. General requirements**
1. Each utility shall file, in Docket Control, for Commission approval, a line extension tariff which incorporates the provisions of this rule and specifically defines the conditions governing line extensions.
  2. Upon request by an applicant for a line extension, the utility shall prepare, without charge, a preliminary sketch and rough estimate of the cost of installation to be paid by said applicant.
  3. Any applicant for a line extension requesting the utility to prepare detailed plans, specifications, or cost estimates may be required to deposit with the utility an amount equal to the estimated cost of preparation. The utility shall, upon request, make available within 90 days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed line extension. Where the applicant authorizes the utility to proceed with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications and cost estimates. Subdivisions providing the utility with approved plans shall be provided with plans, specifications, or cost estimates within 45 days after receipt of the deposit referred to above.
  4. Where the utility requires an applicant to advance funds for a line extension, the utility shall furnish the applicant with a copy of the line extension tariff of the appropriate utility prior to the applicant's acceptance of the utility's extension agreement.
  5. All line extension agreements requiring payment by the applicant shall be in writing and signed by each party.
  6. The provisions of this rule apply only to those applicants who in the utility's judgment will be permanent customers of the utility. Applications for temporary service shall be governed by the Commission's rules concerning temporary service applications.
- B. Minimum written agreement requirements**
1. Each line extension agreement shall, at a minimum, include the following information:

- a. Name and address of applicant or applicants;
  - b. Proposed service address or location;
  - c. Description of requested service;
  - d. Description and sketch of the requested line extension;
  - e. A cost estimate to include materials, labor, and other costs as necessary;
  - f. Payment terms;
  - g. A concise explanation of any refunding provisions, if applicable;
  - h. The utility's estimated start date and completion date for construction of the line extension; and
  - i. A summary of the results of the economic feasibility analysis performed by the utility to determine the amount of advance required from the applicant for the proposed line extension.
2. Each applicant shall be provided with a copy of the written line extension agreement.
- C. Line extension requirements.** Each line extension tariff shall include the following provisions:
1. A maximum footage or equipment allowance to be provided by the utility at no charge. The maximum footage or equipment allowance may be differentiated by customer class.
  2. An economic feasibility analysis for those extensions which exceed the maximum footage or equipment allowance. Such economic feasibility analysis shall consider the incremental revenues and costs associated with the line extension. In those instances where the requested line extension does not meet the economic feasibility criteria established by the utility, the utility may require the customer to provide funds to the utility, which will make the line extension economically feasible. The methodology employed by the utility in determining economic feasibility shall be applied uniformly and consistently to each applicant requiring a line extension.
  3. The timing and methodology by which the utility will refund any advances in aid of construction as additional customers are served off the line extension. The customer may request an annual survey to determine if additional customers have been connected to and are using service from the extension. In no case shall the amount of the refund exceed the amount originally advanced.
  4. All advances in aid of construction shall be noninterest bearing.
  5. If after five years from the utility's receipt of the advance, the advance has not been totally refunded, the advance shall be considered a contribution in aid of construction and shall no longer be refundable.
- D. Residential subdivision development and permanent mobile home parks.** Each utility shall submit as a part of its line extension tariff separate provisions for residential subdivision developments and permanent mobile home parks.
- E. Single phase underground extensions in subdivision developments**
1. Extensions of single phase electric lines necessary to furnish permanent electric service to new residential buildings or mobile homes within a subdivision, in which facilities for electric service have not been constructed, for which applications are made by a developer shall be installed underground in accordance with the provisions set forth in this rule except where it is not feasible from an engineering, operational, or economic standpoint.
  2. Rights-of-way easements
    - a. The utility shall construct or cause to be constructed and shall own, operate, and maintain all underground electric distribution and service lines along public streets, roads, and highways and on public lands and private property which the utility has the legal right to occupy.
  - b. Rights-of-way and easements suitable to the utility must be furnished by the developer at no cost to the utility and in reasonable time to meet service requirements. No underground electric facilities shall be installed by a utility until the final grades have been established and furnished to the utility. In addition, the easement strips, alleys and streets must be graded to within six inches of final grade by the developer before the utility will commence construction. Such clearance and grading must be maintained by the developer during construction by the utility.
  - c. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of the underground facilities or results in damage to such facilities, the cost of such relocation or resulting repairs shall be borne by the developer.
3. Installation of single phase underground electric lines within a subdivision
    - a. The developer shall provide the trenching, backfill (including any imported backfill required), compaction, repaving, and any earthwork for pull boxes and transformer pad sites required to install the underground electric system all in accordance with the specifications and schedules of the utility.
    - b. Each utility shall inspect the trenching provided by the developer within 24 hours after a mutually agreed upon trench opening date, and allow for phased inspection of trenching as mutually agreed upon by the developer and utility. In all cases, the utility shall make every effort to expedite the inspection of developer provided trenching. The utility shall assume responsibility for the trench within three working days after the utility has inspected and approved the trenching.
    - c. The utility shall install or cause to be installed underground electric lines and related equipment with sufficient capacity and suitable materials that ensure adequate and reasonable electric service in the foreseeable future and in accordance with the applicable provisions of Institute of Electrical and Electronic Engineers, Inc., Pub. No. C2-2007, The National Electrical Safety Code (2007), including no future editions or amendments, which is incorporated by reference, on file with the Commission, and published by and available from the Institute of Electrical and Electronic Engineers, Inc., 3 Park Avenue, 17th Floor, New York, New York 10016, and through <http://ieeexplore.ieee.org>.
    - d. Underground service lines from underground residential distribution systems shall be owned, operated and maintained by the utility, and shall be installed pursuant to its effective underground line extension and service connection tariffs on file with the Commission.
  4. Special conditions
    - a. When the application of any of the provisions of subsection (E) appears to either party not to be feasible from an engineering, operational, or economic standpoint, the utility or the developer may refer the matter to the Commission for a determination as to whether an exception to the underground policy

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expressed within the provisions of this rule is warranted. Interested third parties may present their views to the Commission in conjunction with such referrals.

- b. Notwithstanding any provision of this regulation to the contrary, no utility shall construct overhead single phase electric lines in any new subdivision to which this rule is applicable and which is contiguous to another subdivision in which electric service is furnished underground without the approval of the Commission.
  - c. Underground service lines installed pursuant to subsection (E) and accepted by the utility shall not be replaced with an overhead distribution pole line except upon a verified application of the utility, as stated in subsection (E)(4)(a).
5. Nonapplicability
- a. Any underground electric distribution system requiring more than single phase service is not covered by this regulation and shall be constructed pursuant to the effective line extension rules and regulations or policies of the affected utility on file with the Commission.
  - b. If there are one or more existing distribution pole lines or lines on or across a recorded subdivision at the time of the application for electrical service for the subdivision and the line will be utilized in the subdivision. (This would not apply if the pole line were serving a building or groups of buildings or any other type of service which would be removed before construction is finished.)
  - c. A distribution pole line that parallels a boundary of a subdivision and this line can serve lots within the subdivision.
  - d. Subdivisions recorded prior to the effective date of this rule shall be governed by the terms and conditions of subsection (E).
- F. Ownership of facilities. Any facilities installed hereunder shall be the sole property of the utility.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (E)(3)(c) effective April 1, 1986 (Supp. 86-2).

Amended effective August 6, 1991 (Supp. 91-3).

Amended effective August 16, 1996 (Supp. 96-3).

Amended by exempt rulemaking at 5 A.A.R. 2054, effective June 4, 1999 (Supp. 99-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended to correct subsection numbering (Supp. 99-4). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

Amended by final rulemaking at 15 A.A.R. 1933, effective December 27, 2009 (Supp. 09-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

**R14-2-208. Provision of Service****A. Utility responsibility**

1. Each utility shall be responsible for the safe transmission and distribution of electricity until it passes the point of delivery to the customer.

2. The entity having control of the meter shall be responsible for maintaining in safe operating condition all meters, equipment, and fixtures installed on the customer's premises by the entity for the purposes of delivering electric service to the customer.
3. The Utility Distribution Company may, at its option, refuse service until the customer has obtained all required permits and inspections indicating that the customer's facilities comply with local construction and safety standards.

**B. Customer responsibility**

1. Each customer shall be responsible for maintaining all customer facilities on the customer's side of the point of delivery in safe operating condition.
2. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying utility service to that customer.
3. Each customer shall exercise all reasonable care to prevent loss or damage to utility property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to utility property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the utility for the cost of necessary repairs or replacements.
4. Each customer shall be responsible for payment for any equipment damage and estimated unmetered usage resulting from unauthorized breaking of seals, interfering, tampering, or bypassing the utility meter.
5. Each customer shall be responsible for notifying the utility of any equipment failure identified in the utility's equipment.

**C. Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:**

1. Any cause against which the utility could not have reasonably foreseen or made provision for, that is, force majeure.
2. Intentional service interruptions to make repairs or perform routine maintenance.
3. Curtailment.

**D. Service interruptions**

1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.

5. The Commission, Consumer Services Section, shall be notified of interruption in service affecting the entire system or any significant portion thereof. The interruption of service and cause shall be reported by telephone to the Commission within two hours after the responsible representative of the utility becomes aware of said interruption and followed by a written report to the Commission.
- E. Curtailment. Each utility shall file with the Commission, through Docket Control, as a part of its general tariffs a procedural plan for handling severe supply shortages or service curtailments. The plan shall provide for equitable treatment of individual customer classes in the most reasonable and effective manner given the existing circumstances. When the availability of service is so restricted that the reduction of service on a proportionate basis to all customer classes will not maintain the integrity of the total system, the utility shall develop procedures to curtail service giving service priority to those customers and customer classes where health, safety and welfare would be adversely affected.
- F. Construction standard and safety
1. Each utility shall construct all facilities in accordance with the provisions of Institute of Electrical and Electronic Engineers, Inc., Pub. No. C2-2007, The National Electrical Safety Code (2007), which is incorporated by reference in R14-2-207(E)(3)(c), and American Society of Mechanical Engineers, Pub. No. ANSI/ASME B31.1-2007, Power Piping (2007), including no future editions or amendments, which is incorporated by reference, on file with the Commission, and published by and available from the American Society of Mechanical Engineers, 3 Park Avenue, New York, New York 10016, and through <http://catalog.asme.org>.
  2. Each utility shall adopt a standard alternating nominal voltage or standard alternating nominal voltages (as may be required by its distribution system) for its entire service area or for each of the several districts into which the system may be divided, which standard voltage or voltages shall be stated in the rules and regulations of each utility and shall be measured at the customer's service entrance. Each utility shall, under normal operating conditions, maintain its standard voltage or voltages within the limits of National Electrical Manufacturers Association, Pub. No. ANSI C84.1-2006, American National Standard for Electric Power Systems and Equipment-Voltage Ratings (60 Hertz) (2006), including no future editions or amendments, which is incorporated by reference, on file with the Commission, and published by and available from the National Electrical Manufacturers Association, 1300 North 17th Street, Suite 1752, Rosslyn, Virginia 22209, and through <http://www.nema.org>.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsections (D)(5) and (F)(1) and (2) effective April 1, 1986 (Supp. 86-2). Amended effective February 8, 1991 (Supp. 91-1). Amended effective August 16, 1996 (Supp. 96-3). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 2054, effective June 4, 1999 (Supp. 99-2). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended to correct subsection numbering (Supp. 99-4). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4). Amended by final

rulemaking at 15 A.A.R. 1933, effective December 27, 2009 (Supp. 09-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-209. Meter Reading

- A. Company or customer meter reading
1. Each utility, billing entity, or Meter Reading Service Provider may at its discretion allow for customer reading of meters.
  2. It shall be the responsibility of the utility or Meter Reading Service Provider to inform the customer how to properly read his meter.
  3. Where a customer reads his own meter, the utility or Meter Reading Service Provider will read the customer's meter at least once every six months.
  4. The utility, billing entity, or Meter Reading Service Provider shall provide the customer with postage-paid cards or other methods to report the monthly reading.
  5. Each utility or Meter Reading Service Provider shall specify the timing requirements for the customer to submit his or her monthly meter reading to conform with the utility's billing cycle.
  6. Where the Electric Service Provider is responsible for meter reading, reads will be available for the Utility Distribution Company's or billing entity's billing cycle for that customer, or as otherwise agreed upon by the Electric Service Provider and the Utility Distribution Company or billing entity.
  7. In the event the customer fails to submit the reading on time, the utility or billing entity may issue the customer an estimated bill.
  8. In the event the Electric Service Provider responsible for meter reading fails to deliver reads to the Meter Reading Service Provider server within three days of the scheduled cycle read date, the Affected Utility may estimate the reads. In the event the Affected Utility responsible for meter reading fails to deliver reads to the Meter Reader Service Provider server within three days of the scheduled cycle read date, the Electric Service Provider may estimate the reads.
  9. Meters shall be read monthly on as close to the same day as practical.
- B. Measuring of service
1. All energy sold to customers and all energy consumed by the utility, except that sold according to fixed charge schedules, shall be measured by commercially acceptable measuring devices, except where it is impractical to install meters, such as street lighting or security lighting, or where otherwise authorized by the Commission.
  2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the circuit metered or metering equipment.
  3. Meters which are not direct reading shall have the multiplier plainly marked on the meter.
  4. All charts taken from recording meters shall be marked with the date of the record, the meter number, customer, and chart multiplier.
  5. Metering equipment shall not be set "fast" or "slow" to compensate for supply transformer or line losses.
- C. Meter rereads



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1. Each utility or Meter Reading Service Provider shall at the request of a customer, or the customer's Electric Service Provider, Utility Distribution Company (as defined in R14-2-1601), or billing entity reread that customer's meter within 10 working days after such a request.
  2. Any reread may be charged to the customer, or the customer's Electric Service Provider, Utility Distribution Company (as defined in R14-2-1601), or billing entity making the request at a rate on file and approved by the Commission, provided that the original reading was not in error.
  3. When a reading is found to be in error, the reread shall be at no charge to the customer, or the customer's Electric Service Provider, Utility Distribution Company (as defined in R14-2-1601), or billing entity.
- D.** Access to customer premises. Each utility shall have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.
- E.** Meter testing and maintenance program.
1. Each utility shall file with the Commission, through the Compliance Section, a plan for the routine maintenance and replacement of meters that meets the requirements of National Electrical Manufacturers Association, Pub. No. ANSI C12.1-2008, American National Standard for Electric Meters: Code for Electricity Metering (2008), including no future editions or amendments, which is incorporated by reference, on file with the Commission, and published by and available from the National Electrical Manufacturers Association, 1300 North 17th Street, Suite 1752, Rosslyn, Virginia 22209, and through [www.nema.org](http://www.nema.org).
  2. Each utility shall file an annual report with the Commission, through Docket Control, summarizing the results of the meter maintenance and testing program for that year. At a minimum, the report should include the following data:
    - a. Total number of meters tested, at company initiative or upon customer request.
    - b. Number of meters tested that were outside the acceptable error allowance of +3%.
- F.** Request for meter tests. A utility or Meter Service Provider shall test a meter upon the request of the customer, or the customer's Electric Service Provider, Utility Distribution Company (as defined in R14-2-1601), or billing entity, and each utility or billing entity shall be authorized to charge the customer, or the customer's Electric Service Provider, Utility Distribution Company (as defined in R14-2-1601), or billing entity for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged to the customer, or the customer's Electric Service Provider, Utility Distribution Company, or billing entity.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (E)(1) effective April 1, 1986 (Supp. 86-2). Amended effective February 8, 1991 (Supp. 91-1). Amended effective August 16, 1996 (Supp. 96-3). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6

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**R14-2-210. Billing and Collection**

- A.** Frequency and estimated bills
1. Unless otherwise approved by the Commission, the utility or billing entity shall render a bill for each billing period to every customer in accordance with its applicable rate schedule and may offer billing options for the services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days without customer authorization. If the utility or Meter Reading Service Provider changes a meter reading route or schedule resulting in a significant alteration of billing cycles, notice shall be given to the affected customers.
  2. Each billing statement rendered by the utility or billing entity shall be computed on the actual usage during the billing period. If the utility or Meter Reading Service Provider is unable to obtain an actual reading, the utility or billing entity may estimate the consumption for the billing period giving consideration the following factors where applicable:
    - a. The customer's usage during the same month of the previous year,
    - b. The amount of usage during the preceding month.
  3. Estimated bills will be issued only under the following conditions unless otherwise approved by the Commission:
    - a. When extreme weather conditions, emergencies, or work stoppages prevent actual meter readings.
    - b. Failure of a customer who reads his own meter to deliver his meter reading to the utility or Meter Reading Service Provider in accordance with the requirements of the utility or Meter Reading Service Provider billing cycle.
    - c. When the utility or Meter Reading Service Provider is unable to obtain access to the customer's premises for the purpose of reading the meter, or in situations where the customer makes it unnecessarily difficult to gain access to the meter, that is, locked gates, blocked meters, vicious or dangerous animals. If the utility or Meter Reading Service Provider is unable to obtain an actual reading for these reasons, it shall undertake reasonable alternatives to obtain a customer reading of the meter.
    - d. Due to customer equipment failure, a one-month estimation will be allowed. Failure to remedy the customer equipment condition will result in penalties for Meter Service Providers as imposed by the Commission.
    - e. To facilitate timely billing for customers using load profiles.
  4. After the third consecutive month of estimating the customer's bill due to lack of meter access, the utility or Meter Reading Service Provider will attempt to secure an accurate reading of the meter. Failure on the part of the customer to comply with a reasonable request for meter access may lead to discontinuance of service.

5. A utility or billing entity may not render a bill based on estimated usage if:
    - a. The estimating procedures employed by the utility or billing entity have not been approved by the Commission.
    - b. The billing would be the customer's first or final bill for service.
    - c. The customer is a direct-access customer requiring load data.
    - d. The utility can obtain customer-supplied meter readings to determine usage.
  6. When a utility or billing entity renders an estimated bill in accordance with these rules, it shall:
    - a. Maintain accurate records of the reasons therefor and efforts made to secure an actual reading;
    - b. Clearly and conspicuously indicate that it is an estimated bill and note the reason for its estimation.
- B. Combining meters, minimum bill information**
1. Each meter at a customer's premise will be considered separately for billing purposes, and the readings of two or more meters will not be combined unless otherwise provided for in the utility's tariffs. This provision does not apply in the case of aggregation of competitive services as described in R14-2-1601.
  2. Each bill for residential service will contain the following minimum information:
    - a. The beginning and ending meter readings of the billing period, the dates thereof, and the number of days in the billing period;
    - b. The date when the bill will be considered due and the date when it will be delinquent, if not the same;
    - c. Billing usage, demand (if measured), basic monthly service charge, and total amount due;
    - d. Rate schedule number or service offer;
    - e. Customer's name and service account number;
    - f. Any previous balance;
    - g. Fuel adjustment cost, where applicable;
    - h. License, occupation, gross receipts, franchise, and sales taxes;
    - i. The address and telephone numbers of the Electric Service Provider, and/or the Utility Distribution Company, designating where the customer may initiate an inquiry or complaint concerning the bill or services rendered;
    - j. The Arizona Corporation Commission address and toll-free telephone numbers;
    - k. Other unbundled rates and charges.
- C. Billing terms**
1. All bills for utility services are due and payable no later than 15 days from the date of the bill. Any payment not received within this time-frame shall be considered delinquent and could incur a late payment charge.
  2. For purposes of this rule, the date a bill is rendered may be evidenced by:
    - a. The postmark date;
    - b. The mailing date;
    - c. The billing date shown on the bill (however, the billing date shall not differ from the postmark or mailing date by more than two days); and
    - d. The transmission date for electronic bills.
  3. All delinquent bills shall be subject to the provisions of the utility's termination procedures.
  4. All payments shall be made at or mailed to the office of the utility or to the utility's authorized payment agency or the office of the billing entity. The date on which the utility actually receives the customer's remittance is considered the payment date.
- D. Applicable tariffs, prepayment, failure to receive, commencement date, taxes**
1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
  2. Each utility or billing entity shall make provisions for advance payment of utility services.
  3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
  4. Charges for electric service commence when the service is actually installed and connection made, whether used or not. A minimum one-month billing period is established on the date the service is installed (excluding landlord/utility special agreements).
  5. Charges for services disconnected after one month shall be prorated back to the customer of record.
- E. Meter error corrections**
1. If a tested meter is found to be more than 3% in error, either fast or slow, the correction of previous bills will be made under the following terms allowing the utility or billing entity to recover or refund the difference:
    - a. If the date of the meter error can be definitely fixed, the utility or billing entity shall adjust the customer's billings back to that date. If the customer has been underbilled, the utility or billing entity will allow the customer to repay this difference over an equal length of time that the underbillings occurred. The customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
    - b. If it is determined that the customer has been overbilled and there is no evidence of meter tampering or energy diversion, the utility or billing entity will make prompt refunds in the difference between the original billing and the corrected billing within the next billing cycle.
  2. No adjustment shall be made by the utility except to the customer last served by the meter tested.
  3. Any underbilling resulting from a stopped or slow meter, utility or Meter Reading Service Provider meter reading error, or a billing calculation shall be limited to three months for residential customers and six months for non-residential customers. However, if an underbilling by the utility occurs due to inaccurate, false, or estimated information from a third party, then that utility will have a right to backbill that third party to the point in time that may be definitely fixed, or 12 months. No such limitation will apply to overbillings.
- F. Insufficient funds (NSF) or returned checks**
1. A utility or billing entity shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for electric service with a check or other financial instrument which is returned by the customer's bank or other financial institution.
  2. When the utility or billing entity is notified by the customer's bank or other financial institution that the check or financial instrument tendered for utility service will not clear, the utility or billing entity may require the customer to make payment in cash, by money order, certified check, or other means to guarantee the customer's payment.

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3. A customer who tenders such a check or financial instrument shall in no way be relieved of the obligation to render payment to the utility or billing entity under the original terms of the bill nor defer the utility's provision of termination of service for nonpayment of bills.
- G. Levelized billing plan**
1. Each utility may, at its option, offer its customers a levelized billing plan.
  2. Each utility offering a levelized billing plan shall develop, upon customer request, an estimate of the customer's levelized billing for a 12-month period based upon:
    - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations.
    - b. For new customers, the utility will estimate consumption based on the customer's anticipated load requirements.
    - c. The utility's tariff schedules approved by the Commission applicable to that customer's class of service.
  3. The utility shall provide the customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a customer's monthly utility bill, and the utility's right to adjust the customer's billing for any variation between the utility's estimated billing and actual billing.
  4. For those customers being billed under a levelized billing plan, the utility shall show, at a minimum, the following information on their monthly bill:
    - a. Actual consumption,
    - b. Dollar amount due for actual consumption,
    - c. Levelized billing amount due, and
    - d. Accumulated variation in actual-versus-levelized billing amount.
  5. The utility may adjust the customer's levelized billing in the event the utility's estimate of the customer's usage or cost should vary significantly from the customer's actual usage or cost; such review to adjust the amount of the levelized billing may be initiated by the utility or upon customer request.
- H. Deferred payment plan**
1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
  2. Each deferred payment agreement entered into by the utility and the customer shall provide that service will not be discontinued if:
    - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
    - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
    - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
  3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
    - a. Size of the delinquent account,
    - b. Customer's ability to pay,
    - c. Customer's payment history,
    - d. Length of time that the debt has been outstanding,
    - e. Circumstances which resulted in the debt being outstanding, and
    - f. Any other relevant factors related to the circumstances of the customer.
  4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills. The customer's failure to execute such an agreement prior to the termination date will not prevent the utility from disconnecting service for nonpayment.
  5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
  6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
  7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules. Under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.
- I. Change of occupancy**
1. To order service discontinued or to change occupancy, the customer must give the utility at least three working days advance notice in person, in writing, or by telephone.
  2. The outgoing customer shall be responsible for all utility services provided or consumed up to the scheduled turn-off date.
  3. The outgoing customer is responsible for providing access to the meter so that the utility may obtain a final meter reading.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

**R14-2-211. Termination of Service**

- A.** Nonpermissible reasons to disconnect service. A utility may not disconnect service for any of the reasons stated below:
1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  3. Nonpayment of a bill related to another class of service.
  4. Failure to pay for a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the customer agrees to pay over a reasonable period of time.
  5. A utility shall not terminate residential service where the customer has an inability to pay and:
    - a. The customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially danger-

- ous to the health of a customer or a permanent resident residing on the customer's premises, or
- b. Life supporting equipment used in the home that is dependent on utility service for operation of such apparatus, or
  - c. Where weather will be especially dangerous to health as defined or as determined by the Commission.
6. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:
    - a. The customer has been informed of the availability of funds from various government and social assistance agencies of which the utility is aware.
    - b. A third party previously designated by the customer has been notified and has not made arrangements to pay the outstanding utility bill.
  7. A customer utilizing the provisions of subsection (A)(4) or (A)(5) above may be required to enter into a deferred payment agreement with the utility within 10 days after the scheduled termination date.
  8. Disputed bills where the customer has complied with the Commission's rules on customer bill disputes.
- B. Termination of service without notice**
1. In a competitive marketplace, the Electric Service Provider cannot order a disconnect for nonpayment but can only send a notice of contract cancellation to the customer and the Utility Distribution Company. Utility service may be disconnected without advance written notice under the following conditions:
    - a. The existence of an obvious hazard to the safety or health of the consumer or the general population or the utility's personnel or facilities.
    - b. The utility has evidence of meter tampering or fraud.
    - c. Failure of a customer to comply with the curtailment procedures imposed by a utility during supply shortages.
  2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
  3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.
- C. Termination of service with notice**
1. In a competitive marketplace, the Electric Service Provider cannot order a disconnect for nonpayment but can only send a notice of contract cancellation to the customer and the Utility Distribution Company. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:
    - a. Customer violation of any of the utility's tariffs,
    - b. Failure of the customer to pay a delinquent bill for utility service,
    - c. Failure to meet or maintain the utility's deposit requirements,
    - d. Failure of the customer to provide the utility reasonable access to its equipment and property,
    - e. Customer breach of a written contract for service between the utility and customer,
    - f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
  2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements**
1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  2. Such advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the address where service is being rendered.
    - b. The utility tariff that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer to contact the utility at a specific address or phone number for information regarding any deferred payment or other procedures which the utility may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.
    - e. A statement advising the customer that the utility's stated reason for the termination of services may be disputed by contacting the utility at a specific address or phone number, advising the utility of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the utility in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the utility shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.
  3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.
- E. Timing of terminations with notice**
1. Each utility shall be required to give at least five days' advance written notice prior to the termination date.
  2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
  3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
  4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the utility.
  5. The utility shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
- F. Landlord/tenant rule.** In situations where service is rendered at an address different from the mailing address of the bill or where the utility knows that a landlord/tenant relationship

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exists and that the landlord is the customer of the utility, and where the landlord as a customer would otherwise be subject to disconnection of service, the utility may not disconnect service until the following actions have been taken:

1. Where it is feasible to so provide service, the utility, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the utility may disconnect service pursuant to the rules.
2. A utility shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

**R14-2-212. Administrative and Hearing Requirements****A. Customer service complaints**

1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
2. The utility shall respond to the complainant and the Commission representative within five working days as to the status of the utility investigation of the complaint.
3. The utility shall notify the complainant and the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
4. The utility shall inform the customer of his right of appeal to the Commission.
5. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
  - a. Name and address of the complainant;
  - b. Date and nature of the complaint;
  - c. Disposition of the complaint; and
  - d. A copy of any correspondence between the utility, the customer, and the Commission.

This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.

**B. Customer bill disputes**

1. Any utility customer who disputes a portion of a bill rendered for utility service shall pay the undisputed portion of the bill and notify the utility's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill.
2. Upon receipt of the customer notice of dispute, the utility shall:
  - a. Notify the customer within five working days of the receipt of a written dispute notice.
  - b. Initiate a prompt investigation as to the source of the dispute.
  - c. Withhold disconnection of service until the investigation is completed and the customer is informed of the results. Upon request of the customer the utility shall report the results of the investigation in writing.
  - d. Inform the customer of his right of appeal to the Commission.

**C. Commission resolution of service and bill disputes**

1. In the event a customer and utility cannot resolve a service or bill dispute, the customer shall file a written statement of dissatisfaction with the Commission; by submitting such notice to the Commission, the customer shall be deemed to have filed an informal complaint against the utility.
2. Within 30 days of the receipt of a written statement of customer dissatisfaction related to a service or bill dispute, a designated representative of the Commission shall endeavor to resolve the dispute by correspondence or telephone with the utility and the customer. If resolution of the dispute is not achieved within 20 days of the Commission representative's initial effort, the Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:
  - a. Each party may be represented by legal counsel, if desired.
  - b. All such informal hearings may be recorded or held in the presence of a stenographer.
  - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties.
  - d. All parties and the Commission's representative shall be given the opportunity for cross-examination of the various parties.
  - e. The Commission's representative will render a written decision to all parties within five working days after the date of the informal hearing. Such written decision of the arbitrator is not binding on any of the parties and the parties will still have the right to make a formal complaint to the Commission.
3. The utility may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Commission.
4. Each utility shall maintain a record of written statements of dissatisfaction and their resolution for a minimum of one year and make such records available for Commission inspection.

**D. Notice by utility of responsible officer or agent**

1. Each utility shall file with the Commission, through Docket Control, a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a utility in Arizona.
2. Each utility shall give notice, by filing a written statement with the Commission, through Docket Control, of any

change in the information required herein within five days from the date of any such change.

**E. Time-frames for processing applications for Certificates of Convenience and Necessity**

1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
  - a. Administrative completeness review time-frame: 120 calendar days;
  - b. Substantive review time-frame: 150 calendar days; and
  - c. Overall time-frame: 270 calendar days.
7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.

**F. Filing of tariffs**

1. Each utility shall file with the Commission, through Docket Control, tariffs which are in compliance with the rules and regulations promulgated by the Arizona Corporation Commission within 120 days of the effective date of such rules.
2. Each utility shall file with the Commission, through Docket Control, any proposed changes to the tariffs on file with the Commission; such proposed changes shall be accompanied by a statement of justification supporting the proposed tariff change.
3. Any proposed change to the tariffs on file with the Commission shall not be effective until reviewed and approved by the Commission.

**G. Accounts and records**

1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.

2. Each utility shall maintain its books and records in conformity with the Uniform Systems of Accounts for Class A, B, C and D Electric Utilities as adopted and amended by the Federal Energy Regulatory Commission or, for electric cooperatives, as promulgated by the Rural Utilities Service.
  3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
  4. All utilities shall submit an annual report to the Commission, through the Compliance Section, Utilities Division, on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
  5. All utilities shall file with the Commission, through the Compliance Section, Utilities Division, a copy of all annual reports required by the Federal Energy Regulatory Commission and in addition, for electric cooperatives, annual reports required by the Rural Utilities Service.
- H. Maps.** All utilities shall file with the Commission, through Docket Control, a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.
- I. Variations, exemptions of Commission rules and regulations.** Variations or exemptions from the terms and requirements of any of the rules included herein (14 A.A.C. 2, Article 2) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.
- J. Prior agreements.** The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended by final rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended to correct subsection numbering (Supp. 99-4). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

**R14-2-213. Conservation**

Energy conservation plan

1. The Arizona Corporation Commission recognizes the need for conservation of energy resources in order to maintain an adequate and continuous supply of safe, dependable, and affordable energy. Therefore, in order to promote the state's economic development and the health and welfare of its citizenry, each class A and B electric utility shall file an energy conservation plan which encompasses at a minimum the following considerations:

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- a. Development of consumer education and assistance programs to aid the populace in reducing energy consumption and cost.
- b. Participation in various energy conservation programs sponsored by other municipal, state or federal government entities having such jurisdiction.
2. Each utility shall file an energy conservation plan with the Commission, through the Compliance Section, Utilities Division, within one year of the effective date of these rules and annual updates thereafter when changes require such.
13. "Curtailed priority." The order in which gas service is to be curtailed to various classifications of customers, as set forth in the utility's tariffs.
14. "Customer." The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
15. "Customer charge." The amount the customer must pay the utility for the availability of gas service, excluding any gas used, as specified in the utility's tariffs.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

**ARTICLE 3. GAS UTILITIES****R14-2-301. Definitions**

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "Advance in aid of construction." Funds provided to the utility by the applicant under the terms of a main extension agreement the value of which may be refundable.
2. "Applicant." A person requesting the utility to supply gas service.
3. "Application." A request to the utility for gas service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission." The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month." The period between any two regular readings of the utility's meters at approximately 30 day intervals.
6. "Billing period." The time interval between two consecutive meter readings that are taken for billing purposes.
7. "British Thermal Unit." The amount of heat required to raise the temperature of one pound of water one degree Fahrenheit (1° F) at standard conditions.
8. "Btu." British thermal unit.
9. "Commodity charge." The unit of cost per billed usage, as set forth in the utility's tariffs.
10. "Contributions in aid of construction." Funds provided to the utility by the applicant under the terms of a main extension agreement and/or service connection tariff the value of which are not refundable.
11. "Cubic foot"
  - a. In cases where gas is supplied and metered to customers at the standard delivery pressure, a cubic foot of gas is the volume of gas which, at the temperature and pressure existing in the meter, occupies one cubic foot.
  - b. Regardless of the pressure supplied to the customer, the volume of gas metered will be converted to the volume which the gas would occupy at standard conditions of 14.73 pounds per square inch absolute at 60° F.
  - c. The standard cubic foot of gas for testing the gas itself for heating value shall be that volume of gas which, when saturated with water vapor and at a temperature of 60° F and under a pressure equivalent to that of 30 inches of mercury (mercury at 32° F and under standard gravity), occupies one cubic foot.
12. "Ccf." 100 cubic feet.
16. "Day." Calendar day.
17. "Distribution main." A gas line of the utility from which service lines may be extended to customers.
18. "Elderly." A person who is 62 years of age or older.
19. "Handicapped." A person with a physical or mental condition which substantially contributes to the person's inability to manage his or her own resources, carry out activities of daily living, or protect oneself from neglect or hazardous situations without assistance from others.
20. "Illness." A medical ailment or sickness for which a residential customer obtains a verifiable document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the customer's health in the opinion of a licensed medical physician.
21. "Inability to pay." Circumstances where a residential customer:
  - a. Is not gainfully employed and unable to pay, or
  - b. Qualifies for government welfare assistance, but has not begun to receive assistance on the date that he receives his bill and can obtain verification from the government welfare assistance agency, or
  - c. Has an annual income below the published federal poverty level and can produce evidence of this, and
  - d. Signs a declaration verifying that the customer meets one of the above criteria and is either elderly, handicapped, or suffers from an illness.
22. "Interruptible gas service." Gas service that is subject to interruption or curtailment as specified in the utility's tariff.
23. "Main extension." The lines and equipment necessary to extend the existing gas distribution system to provide service to additional customers.
24. "Master meter." An instrument for measuring or recording the flow of gas at a single location where said gas is transported through an underground piping system to tenants or occupants for their individual consumption.
25. "Mcf." 1,000 cubic feet.
26. "Meter." The instrument for measuring and indicating or recording the volume of gas or flow that has passed through it.
27. "Meter tampering." A situation where a meter has been illegally altered. Common examples are meter bypassing and other unauthorized connections.
28. "Minimum charge." The amount the customer must pay for the availability of gas service, including an amount of usage, as specified in the utility's tariffs.
29. "Permanent customer." A customer who is a tenant or owner of a service location who applies for and receives gas service.
30. "Permanent service." Service which, in the opinion of the utility, is of a permanent and established character. The use of gas may be continuous, intermittent, or seasonal in nature.

31. "Person." Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
32. "Point of delivery." The point where pipes owned, leased, or under license by a customer connect to the utility's pipes or at the outlet side of the meter.
33. "Premises." All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
34. "Residential subdivision." Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
35. "Residential use." Service to customers using gas for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
36. "Restricted apparatus." Apparatus prohibited by the Commission or other governmental agency.
37. "Service area." The territory in which the utility has been granted a Certificate of Convenience and Necessity and is authorized by the Commission to provide gas service.
38. "Service line." A gas pipe that transports gas from a common source of supply (normally a distribution main) to the customer's point of delivery.
39. "Service establishment charge." A charge as specified in the utility's tariffs which covers the cost of establishing a new account.
40. "Service reconnect charge." A charge as specified in the utility's tariffs which must be paid by the customer prior to reestablishment of gas service each time the gas is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the utility's tariffs.
41. "Service reestablishment charge." A charge as specified in the utility's tariffs for service at the same location where the same customer had ordered a service disconnection within the preceding 12-month period.
42. "Single family dwelling." A house, an apartment, a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a permanent home.
43. "Standard delivery pressure." 0.25 pounds per square inch gauge at the meter or point of delivery.
44. "Tariffs." The documents filed with the Commission which list the services and products offered by the gas company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
45. "Temporary service." Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the utility, is for operations of a speculative character is also considered temporary service.
46. "Therm." A unit of heating value, equivalent to 100,000 British thermal units (Btu's).
47. "Third-party notice." A notice sent to an individual or a public entity willing to receive notification of the pending discontinuance of service of a customer of record in order to make arrangements on behalf of said customer satisfactory to the utility.
48. "Utility." The public service corporation providing gas service to the public in compliance with state law.
49. "Weather especially dangerous to health." That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed 32 degrees Fahrenheit for the next day's forecast. The Commission may determine that any other weather conditions are especially dangerous to health as the need arises.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-302. Certificate of Convenience and Necessity for gas utilities; additions/extensions; abandonments**

- A. Application for new Certificate of Convenience and Necessity. Six copies of each application for a new Certificate of Convenience and Necessity shall be submitted in a form prescribed by the Commission and shall include, at a minimum, the following information:
  1. The proper name and correct address of the proposed utility company and its owner, if a sole proprietorship, each partner if a partnership, or the President and Secretary if a corporation.
  2. The rates proposed to be charged for the service that will be rendered.
  3. A financial statement setting forth the financial condition of the applicant.
  4. Maps of the proposed service area and/or a description of the area proposed to be served.
  5. Appropriate city, county and/or state agency approvals, where appropriate.
  6. The actual number of customers within the service area as of the time of filing and the estimated number of customers to be served for each of the first five years of operation.
  7. Such other information as the Commission by order or the staff of the Utilities Division by written directive may request.
- B. Application for discontinuance or abandonment of utility service
  1. Any utility proposing to discontinue or abandon utility service currently in use by the public shall prior to such action obtain authority therefor from the Commission.
  2. The utility shall include in the application, studies of past, present and prospective customer use of the subject service, plant or facility as is necessary to support the application.
  3. An application shall not be required to remove individual facilities where a customer has requested service discontinuance.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-303. Establishment of service**

- A. Information from new applicants
  1. A utility may obtain the following minimum information from each new applicant for service:
    - a. Name or names of applicant(s).
    - b. Service address or location and telephone number.
    - c. Billing address or location and telephone number, if different than service address.
    - d. Address where service was provided previously.
    - e. Date applicant will be ready for service.
    - f. Indication of whether premises have been supplied with utility service previously.
    - g. Purpose for which service is to be used.



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- h. Indication of whether applicant is owner or tenant of or agent for the premises.
  - i. Information concerning the gas usage and demand requirements of the customers.
  - j. Type and kind of life-support equipment, if any, used by the customer.
2. Each utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
  3. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.
- B. Deposits**
1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
    - a. The applicant has had service of a comparable nature with the utility at another service location within the past two years and was not delinquent in payment more than twice during the last 12 consecutive months or disconnected for nonpayment.
    - b. The applicant can produce a letter regarding credit or verification from a gas utility where service of a comparable nature was last received which states that the applicant has had service of a comparable nature with the utility at another service location within the past two years and was not delinquent in payment more than twice during the last 12 consecutive months or disconnected for nonpayment.
    - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from an existing customer with service who is acceptable to the utility or a surety bond as security for the utility.
  2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
  3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
  4. Each utility shall file a deposit refund procedure with the Commission, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded or Letter of Guarantee or surety bond to expire after 12 months of service if the customer has not been delinquent more than twice in the payment of utility bills.
  5. A utility may require a residential customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of three or more bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.
  6. The amount of a deposit required by the utility shall be determined according to the following terms:
    - a. Residential customer deposits shall not exceed two times that customer's estimated average monthly bill.
    - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
  7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
  8. A separate deposit may be required for each meter installed.
- C. Grounds for refusal of service.** A utility may refuse to establish service if any of the following conditions exist:
1. The applicant has an outstanding amount due for the same class of utility service with the utility and the applicant is unwilling to make arrangements with the utility for payment.
  2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
  3. Refusal by the applicant to provide the utility with a deposit when the customer has failed to meet the credit criteria for waiver of deposit requirements.
  4. Customer is known to be in violation of the utility's tariffs filed with the Commission.
  5. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
  6. Applicant falsifies his or her identity for the purpose of obtaining service.
- D. Service establishments, reestablishment or reconnection charge**
1. A utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services.
  2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection. Where the utility scheduling will not permit service establishment on the same day requested, the customer can elect to pay the after-hour charge for establishment that day or his service will be established on the next available normal working day.
  3. For the purpose of this rule, the definition of service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install a meter, read a meter, or turn the service on.
- E. Temporary service**
1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
  2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
  3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the utility.
  4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's main extension rules shall apply.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-304. Minimum customer information requirements**

- A. Information for residential customers**
1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:

- a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
- b. Rate blocks, where appropriate.
- c. Any adjustment factor(s) and method of calculation.
2. The utility shall to the extent practical identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, a utility shall make available upon customer request not later than 60 days from the date of request a copy of the Commission's rules and regulations concerning:
  - a. Deposits
  - b. Terminations of service
  - c. Billing and collection
  - d. Complaint handling.
4. Each utility upon request of a customer shall transmit a written statement of actual consumption by such customer for each billing period during the prior 12 months unless such data is not reasonably ascertainable.
5. Each utility shall inform all new customers of their rights to obtain the information specified above.
- B. Information required due to changes in tariffs**
  1. Each utility shall transmit to affected customers a concise summary of any change in the utility's tariffs affecting those customers.
  2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-305. Master metering**

Mobile home parks -- new construction/expansion

1. A utility shall refuse service to all new construction and/or expansion of existing permanent residential mobile home parks unless the construction and/or expansion is individually metered by the utility. Main extensions and service line connections to serve such new construction or expansion shall be governed by the main extension and/or service line connection tariff of the appropriate utility.
2. Permanent residential mobile home parks for the purpose of this rule shall mean mobile home parks where, in the opinion of the utility, the average length of stay for an occupant is a minimum of six months.
3. For the purposes of this rule, expansion means construction which has been started for additional permanent residential spaces after the effective date of this rule.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-306. Service lines and establishments****A. Priority and timing of service establishments**

1. After an applicant has complied with the utility's application and deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service establishment.
2. Service establishments shall be scheduled for completion within five working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the five working day limitation.
3. When the utility has made arrangements to meet with a customer for service establishment purposes and the utility or the customer cannot make the appointment during

the prearranged time, the utility shall reschedule the establishment to the satisfaction of both parties.

4. Each utility shall schedule service establishment appointments within a maximum range of four hours during normal working hours, unless another time-frame is mutually acceptable to the utility and the customer.
5. Service establishments shall be made only by qualified utility service personnel.
6. For the purposes of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install or read a meter or turn the service on.

**B. Service lines****1. Customer provided facilities**

- a. An applicant for services shall be responsible for the safety and maintenance of all customer piping from the point of delivery.
- b. Meters shall be installed in a location suitable to the utility where the meters will be safe from street traffic, readily and safely accessible for reading, testing and inspection, and where such activities will cause the least interference and inconvenience to the customer. The customer shall provide, without cost to the utility, at a suitable and easily accessible location, sufficient and proper space for the installation of meters.
- c. Where the meter or service line location on the customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense all customer piping necessary for relocating the meter and the utility may make a charge for moving the meter and/or service line.

**2. Company provided facilities**

- a. Each utility shall file for Commission approval, a service line tariff which defines the maximum footage and/or equipment allowance to be provided by the utility at no charge; the maximum footage and/or equipment allowance may be differentiated by customer class.
- b. Any service line in excess of that allowed at no charge shall be paid by the customer as a contribution in aid of construction.

**3. Easements and rights-of-way**

- a. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
- b. When a utility discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-307. Main extensions****A. General requirements**

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1. Each utility shall file for Commission approval a main extension tariff which incorporates the provisions of this rule and specifically defines the conditions governing main extensions.
  2. Upon request by an applicant for a main extension, the utility shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.
  3. Any applicant for a main extension requesting the utility to prepare detailed plans, specifications, or cost estimates may be required to deposit with the utility an amount equal to the estimated cost of preparation. The utility shall upon request, make available within 90 days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed main extension. Where the applicant authorizes the utility to proceed with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications and cost estimate. Subdividers providing the utility with approved plats shall be provided with plans, specifications or cost estimates within 45 days after receipt of the deposit referred to above.
  4. Where the utility requires an applicant to advance funds for a main extension, the utility shall furnish the applicant with a copy of the main extension tariff of the appropriate utility prior to the applicant's acceptance of the utility's extension agreement.
  5. All main extension agreements requiring payment by the applicant shall be in writing and signed by each party.
  6. The provisions of this rule apply only to those applicants who in the utility's judgment will be permanent customers of the utility. Applications for temporary service shall be governed by the Commission's rules concerning temporary service applications.
- B. Minimum written agreement requirements**
1. Each main extension agreement shall, at a minimum, include the following information:
    - a. Name and address of applicant(s)
    - b. Proposed service address or location
    - c. Description of requested service
    - d. Description and sketch of the requested main extension
    - e. A cost estimate to include materials, labor, and other costs as necessary
    - f. Payment terms
    - g. A concise explanation of any refunding provisions, if applicable
    - h. The utility's estimated start date and completion date for construction of the main extension
    - i. A summary of the results of the economic feasibility analysis performed by the utility to determine the amount of advance required from the applicant for the proposed main extension.
  2. Each applicant shall be provided with a copy of the written main extension agreement.
- C. Main extension requirements.** Each main extension tariff shall include the following provisions:
1. A maximum footage and/or equipment allowance to be provided by the utility at no charge. The maximum footage and/or equipment allowance may be differentiated by customer class.
  2. An economic feasibility analysis for those extensions which exceed the maximum footage and/or equipment allowance. Such economic feasibility analysis shall consider the incremental revenues and costs associated with the main extension. In those instances where the requested main extension does not meet the economic feasibility criteria established by the utility, the utility may require the customer to provide funds to the utility, which will make the main extension economically feasible. The methodology employed by the utility in determining economic feasibility shall be applied uniformly and consistently to each applicant requiring a main extension.
  3. The timing and methodology by which the utility will refund any advances in aid of construction as additional customers are served off the main extension. The customer may request an annual survey to determine if additional customers have been connected to and are using service from the extension. In no case shall the amount of the refund exceed the amount originally advanced.
  4. All advances in aid of construction shall be noninterest bearing.
  5. If after five years from the utility's receipt of the advance, the advance has not been totally refunded, the advance shall be considered a contribution in aid of construction and shall no longer be refundable.
- D. Residential subdivision development and permanent mobile home parks.** Each utility shall submit as a part of its main extension tariff separate provisions for residential subdivision developments and permanent mobile home parks.
- E. Ownership of facilities.** Any facilities installed hereunder shall be the sole property of the utility.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- R14-2-308. Provision of service**
- A. Utility responsibility**
1. Each utility shall be responsible for the safe transmission and distribution of gas until it passes the point of delivery to the customer.
  2. Each utility shall be responsible for maintaining in safe operating condition all meters, regulators, service pipe or other fixtures installed on the customer's premises by the utility for the purpose of delivering gas to the customer.
  3. Each utility may, at its option, refuse service until the customer's pipes and appliances have been tested and found to be safe, free from leaks, and in good operating condition. Proof of such testing shall be in the form of a certificate executed by a licensed plumber or local inspector, certifying that the customer's facilities have been tested and are in safe operating condition.
  4. Each utility shall be required to test the customer's piping for leaks when the gas is turned on. If such tests indicate leakage in the customer's piping, the utility shall refuse to provide service until such time as the customer has had the leakage corrected.
- B. Customer responsibility**
1. Each customer shall be responsible for maintaining all customer piping, fixtures and appliances on the customer's side of the point of delivery in safe operating condition.
  2. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying utility service.
  3. Each customer shall exercise all reasonable care to prevent loss or damage to utility property, excluding ordinary wear and tear. The customer shall be responsible for

- loss of or damage to utility property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the utility for the cost of necessary repairs or replacements.
4. Each customer shall be responsible for payment for any equipment damage and/or estimated unmetered usage resulting from unauthorized breaking of seals, interfering, tampering or bypassing the utility meter.
  5. Each customer shall be responsible for notifying the utility of any gas leakage identified in the customer's or the utility's equipment.
- C.** Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:
1. Any cause against which the utility could not have reasonably foreseen or made provision for, i.e., force majeure
  2. Intentional service interruptions to make repairs or perform routine maintenance
  3. Curtailment.
- D.** Change in character of service. When a change is made by the utility in the type of service rendered which would adversely affect the efficiency of operation or require the adjustment of the equipment of customers, all customers who may be affected shall be notified by the utility at least 30 days in advance of the change or, if such notice is not possible, as early as feasible. Where adjustments or replacements of the utility's standard equipment must be made to permit use under such changed conditions, adjustments shall be made by the utility without charge to the customers.
- E.** Service interruptions
1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
  2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
  3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
  4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.
  5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within one hour after the responsible representative of the utility becomes aware of said interruption by telephone to the Commission and followed by a written report to the Commission.
- F.** Heat value standard for natural gas. Each gas utility operating under the jurisdiction of the Commission shall supply gas to its customers with an average total heating value of not less than 900 Btu's per cubic foot. The number of Btu's per cubic foot actually delivered through the customer's meter will vary according to the altitude/elevation of the location where the customer is being provided service.
- G.** Standard delivery pressure
1. Each utility shall maintain a standard delivery pressure at the outlet of the customer's meter of approximately 0.25 pounds per square inch gauge subject to variation under load conditions.
  2. In cases where a customer desires service at greater than standard delivery pressure, the utility may supply at its option such greater pressure if and only as long as the furnishing of gas to such customer at higher than standard delivery pressure will not be detrimental to the service of other customers of the utility. The utility reserves the right to lower said delivery pressure or discontinue the delivery of gas at higher pressure at any time upon reasonable notice to the customer. Where service is provided at such higher pressure, the meter volumes shall be corrected to that higher pressure.
- H.** Curtailment. Each utility shall file with the Commission as a part of its general tariffs a procedural plan for handling severe supply shortages or service curtailments. The plan shall provide for equitable treatment of individual customer classes in the most reasonable and effective manner given the existing circumstances. When the availability of service is so restricted that the reduction of service on a proportionate basis to all customer classes will not maintain the integrity of the total system, the utility shall develop procedures to curtail service giving service priority to those customers and/or customer classes where health, safety and welfare would be adversely affected.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by deleting subsection (I) effective October 23, 1987 (Supp. 87-4). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-309. Meter reading

- A.** Company or customer meter reading
1. Each utility may at its discretion allow for customer reading of meters.
  2. It shall be the responsibility of the utility to inform the customer how to properly read his or her meter.
  3. Where a customer reads his or her own meter, the utility will read the customer's meter at least once every six months.
  4. The utility shall provide the customer with postage-paid cards or other methods to report the monthly reading to the utility.
  5. Each utility shall specify the timing requirements for the customer to submit his or her monthly meter reading to conform with the utility's billing cycle.
  6. In the event the customer fails to submit the reading on time, the utility may issue the customer an estimated bill.
  7. Meters shall be read monthly on as close to the same day as practical.
- B.** Measuring of service
1. All gas sold by a utility shall be metered except in the case of gas sold according to a fixed charge schedule or when otherwise authorized by the Commission.
  2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the facilities being metered.
- C.** Customer requested retreads

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1. Each utility shall at the request of a customer reread the customer's meter within 10 working days after such request by the customer.
  2. Any rereads may be charged to the customer at a rate on file and approved by the Commission, provided that the original reading was not in error.
  3. When a reading is found to be in error, the reread shall be at no charge to the customer.
- D.** Access to customer premises. Each utility shall at all times have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of service and the exercise of any and all rights secured to it by law or these rules.
- E.** Meter testing and maintenance program
1. Each utility shall file with the Commission subject to review and approval a plan for routine maintenance and replacement of meters.
  2. Each utility shall file an annual report with the Commission summarizing the results of the meter maintenance and testing program for that year. At a minimum the report should include the following data:
    - a. Total number of meters tested, at company initiative or upon customer request.
    - b. Number of meters tested which were outside the acceptable error allowance  $\pm 3\%$ .
- F.** Customer requested meter tests. A utility shall test a meter upon customer request, and each utility shall be authorized to charge the customer for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged to the customer.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- R14-2-310. Billing and collection**
- A.** Frequency and estimated bills
1. Each utility shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days.
  2. If the utility is unable to read the meter on the scheduled meter read date, the utility will estimate the consumption for the billing period giving consideration to the following factors where applicable:
    - a. The customer's usage during the same month of the previous year
    - b. The amount of usage during the preceding month.
  3. After the second consecutive month of estimating the customer's bill for reasons other than severe weather, the utility will attempt to secure an accurate reading of the meter.
  4. Failure on the part of the customer to comply with a reasonable request by the utility for access to its meter may lead to the discontinuance of service.
  5. Estimated bills will be issued only under the following conditions:
    - a. Failure of a customer who read his own meter to deliver his meter reading card to the utility in accordance with the requirements of the utility billing cycle.
    - b. Severe weather conditions which prevent the utility from reading the meter.
    - c. Circumstances that make it impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.
6. Each bill based on estimated usage will indicate that it is an estimated bill.
- B.** Combining meters, minimum bill information
1. Each meter at a customer's premises will be considered separately for billing purposes, and the readings of two or more meters will not be combined except those approved by the utility.
  2. Each bill for residential service will contain the following minimum information:
    - a. Date and meter reading at the start of billing period or number of days in the billing period
    - b. Date and meter reading at the end of the billing period
    - c. Billed usage
    - d. Rate schedule number
    - e. Utility telephone number
    - f. Customer's name
    - g. Service account number
    - h. Amount due and due date
    - i. Past due amount
    - j. Adjustment factor, where applicable
    - k. Taxes
    - l. The Arizona Corporation Commission and address, thereof.
- C.** Billing terms
1. All bills for utility services are due and payable no later than 10 days from the date the bill is rendered. Any payment not received within this time-frame shall be considered past due.
  2. For purposes of this rule, the date a bill is rendered may be evidenced by:
    - a. The postmark date
    - b. The mailing date
    - c. The billing date shown on the bill (however, the billing date shall not differ from the postmark or mailing date by more than two days).
  3. All past due bills for utility services are due and payable within 15 days. Any payment not received within this time-frame shall be considered delinquent.
  4. All delinquent bills for which payment has not been received within five days shall be subject to the provisions of the utility's termination procedures.
  5. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.
- D.** Applicable tariffs, prepayment, failure to receive, commencement date, taxes
1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
  2. Each utility shall make provisions for advance payment of utility services.
  3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
  4. Charges for service commence when the service is installed and connection made, whether used or not.
- E.** Meter error corrections
1. If any meter after testing is found to be more than 3% in error, either fast or slow, proper correction between 3% and the amount of the error shall be made of previous readings and adjusted bills shall be rendered according to the following terms:
    - a. For the period of three months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last

- tested, but not exceeding three months since the meter shall have been shown to be in error by such test.
- b. From the date the error occurred, if the date of the cause can be definitely fixed.
2. No adjustment shall be made by the utility except to the customer last served by the meter tested.
- F. Insufficient funds (NSF) checks**
1. A utility shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for utility service with an insufficient funds check.
  2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.
  3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.
- G. Levelized billing plan**
1. Each utility may, at its option, offer its residential customers a levelized billing plan.
  2. Each utility offering a levelized billing plan shall develop upon customer request an estimate of the customer's levelized billing for a 12-month period based upon:
    - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations.
    - b. For new customers, the utility will estimate consumption based on the customer's anticipated load requirements.
    - c. The utility's tariff schedules approved by the Commission applicable to that customer's class of service.
  3. The utility shall provide the customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a customer's monthly utility bill, and the utility's right to adjust the customer's billing for any variation between the utility's estimated billing and actual billing.
  4. For those customers being billed under a levelized billing plan, the utility shall show, at a minimum, the following information on the customer's monthly bill:
    - a. Actual consumption
    - b. Amount due for actual consumption
    - c. Levelized billing amount due
    - d. Accumulated variation in actual versus levelized billing amount.
  5. The utility may adjust the customer's levelized billing in the event the utility's estimate of the customer's usage and/or cost should vary significantly from the customer's actual usage and/or cost; such review to adjust the amount of the levelized billing may be initiated by the utility or upon customer request.
- H. Elevation/pressure adjustment.** Each gas utility shall, as a part of a general rate proceeding, file an adjustment factor to be applied to customer meter recordings to adjust for differences in pressure due to elevation.
- I. Deferred payment plan**
1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
    - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
    - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
    - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
  3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
    - a. Size of the delinquent account
    - b. Customer's ability to pay
    - c. Customer's payment history
    - d. Length of time that the debt has been outstanding
    - e. Circumstances which resulted in the debt being outstanding
    - f. Any other relevant factors related to the circumstances of the customer.
  4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the utility from discontinuing service for nonpayment.
  5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
  6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
  7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.
- J. Change of occupancy**
1. Not less than three working days advance notice must be given in person, in writing, or by telephone at the utility's office to discontinue service or to change occupancy.
  2. The outgoing party shall be responsible for all utility services provided and/or consumed up to the scheduled turn-off date.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-311. Termination of service

- A.** Nonpermissible reasons to disconnect service. A utility may not disconnect service for any of the reasons stated below:
1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  3. Nonpayment of a bill related to another class of service.

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4. Failure to pay for a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the customer agrees to pay over a reasonable period of time.
  5. A utility shall not terminate residential service where the customer has an inability to pay and:
    - a. The customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially dangerous to the customer or a permanent resident residing on the customer's premises health, or
    - b. Life supporting equipment used in the home that is dependent on utility service for operation of such apparatus, or
    - c. Where weather will be especially dangerous to health as defined herein or as determined by the Commission.
  6. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:
    - a. The customer has been informed of the availability of funds from various government and social assistance agencies
    - b. A third party previously designated by the customer has been notified and has not made arrangements to pay the outstanding utility bill.
  7. A customer utilizing the provisions of subsection (A)(5) or (6) may be required to enter into a deferred payment agreement with the utility within 10 days after the scheduled termination date.
  8. Failure to pay the bill of another customer as guarantor thereof.
  9. Disputed bills where the customer has complied with the Commission's rules on customer bill disputes.
- B. Termination of service without notice**
1. Utility service may be disconnected without advance written notice under the following conditions:
    - a. The existence of an obvious hazard to the safety or health of the consumer or the general population.
    - b. The utility has evidence of meter tampering or fraud.
    - c. Failure of a customer to comply with the curtailment procedures imposed by a utility during supply shortages.
  2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
  3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.
- C. Termination of service with notice**
1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:
    - a. Customer violation of any of the utility's tariffs.
    - b. Failure of the customer to pay a delinquent bill for utility service.
    - c. Failure to meet or maintain the utility's deposit requirements.
    - d. Failure of the customer to provide the utility reasonable access to its equipment and property.
    - e. Customer breach of a written contract for service between the utility and customer.
    - f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
  2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements**
1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  2. Such advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the address where service is being rendered.
    - b. The utility tariff that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer that the utility's stated reason for the termination of services may be disputed by contacting the utility at a specific address or phone number, advising the utility of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the utility in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the utility shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.
  3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.
- E. Timing of terminations with notice**
1. Each utility shall be required to give at least five days' advance written notice prior to the termination date.
  2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
  3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
  4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the utility.
  5. The utility shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
- F. Landlord/tenant rule.** In situations where service is rendered at an address different from the mailing address of the bill or where the utility knows that a landlord/tenant relationship exists and that the landlord is the customer of the utility, and where the landlord as a customer would otherwise be subject to disconnection of service, the utility may not disconnect service until the following actions have been taken:
1. Where it is feasible to so provide service, the utility, after providing notice as required in these rules, shall offer the

occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the utility may disconnect service pursuant to the rules.

2. A utility shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-312. Administrative and Hearing Requirements

##### A. Customer service complaints

1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
4. The utility shall inform the customer of his right of appeal to the Commission.
5. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
  - a. Name and address of the complainant
  - b. Date and nature of the complaint
  - c. Disposition of the complaint
  - d. A copy of any correspondence between the utility, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.

##### B. Customer bill disputes

1. Any utility customer who disputes a portion of a bill rendered for utility service shall pay the undisputed portion of the bill and notify the utility's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill.
2. Upon receipt of the customer notice of dispute, the utility shall:
  - a. Notify the customer within five working days of the receipt of a written dispute notice.
  - b. Initiate a prompt investigation as to the source of the dispute.
  - c. Withhold disconnection of service until the investigation is completed and the customer is informed of the results. Upon request of the customer the utility shall report the results of the investigation in writing.
  - d. Inform the customer of his right of appeal to the Commission.
3. Once the customer has received the results of the utility's investigation, the customer shall submit payment within

five working days to the utility for any disputed amounts. Failure to make full payment shall be grounds for termination of service.

##### C. Commission resolution of service and/or bill disputes

1. In the event a customer and utility cannot resolve a service and/or bill dispute, the customer shall file a written statement of dissatisfaction with the Commission; by submitting such notice to the Commission, the customer shall be deemed to have filed an informal complaint against the utility.
2. Within 30 days of the receipt of a written statement of customer dissatisfaction related to a service or bill dispute, a designated representative of the Commission shall endeavor to resolve the dispute by correspondence and/or telephone with the utility and the customer. If resolution of the dispute is not achieved within 20 days of the Commission representative's initial effort, the Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:
  - a. Each party may be represented by legal counsel, if desired.
  - b. All such informal hearings may be recorded or held in the presence of a stenographer.
  - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties.
  - d. All parties and the Commission's representative shall be given the opportunity for cross-examination of the various parties.
  - e. The Commission's representative will render a written decision to all parties within five working days after the date of the informal hearing. Such written decision of the arbitrator is not binding on any of the parties and the parties will still have the right to make a formal complaint to the Commission.
3. The utility may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Commission.
4. Each utility shall maintain a record of written statements of dissatisfaction and their resolution for a minimum of one year and make such records available for Commission inspection.

##### D. Notice by utility of responsible officer or agent

1. Each utility shall file with the Commission a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a utility in Arizona.
2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.

##### E. Time-frames for processing applications for Certificates of Convenience and Necessity

1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administra-



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- tively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
  4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 120 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-frame: 270 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- F. Filing tariffs**
1. Each utility shall file with the Commission tariffs which are in compliance with the rules and regulations promulgated by the Arizona Corporation Commission within 120 days of the effective date of such rules.
  2. Each utility shall file with the Commission any proposed changes to the tariffs on file with the Commission; such proposed changes shall be accompanied by a statement of justification supporting the proposed tariff change.
  3. Any proposed change to the tariffs on file with the Commission shall not be effective until reviewed and approved by the Commission.
- G. Accounts and records**
1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
  2. Each utility shall maintain its books and records in conformity with the Uniform Systems of Accounts for Class A, B, C and D Gas Utilities as adopted and amended by the Federal Energy Regulatory Commission.
  3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
  4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
  5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
6. All utilities shall file with the Commission a copy of all annual reports required by the Federal Energy Regulatory Commission.
- H. Maps.** All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.
- I. Variations, exemptions of Commission rules and regulations.** Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 3) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.
- J. Prior agreements.** The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption from the Attorney General certification requirements of the Arizona Administrative Procedure Act (Supp. 98-4). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-313. Conservation****Energy conservation plan**

1. The Arizona Corporation Commission recognizes the need for conservation of energy resources in order to maintain an adequate and continuous supply of safe, dependable, and affordable energy. Therefore, in order to promote the state's economic development and the health and welfare of its citizenry, each class A and B gas utility shall file an energy conservation plan which encompasses at a minimum the following considerations:
  - a. Development of consumer education and assistance programs to aid the populace in reducing energy consumption and cost.
  - b. Participation in various energy conservation programs sponsored by other municipal, state or federal government entities having such jurisdiction.
2. Each utility shall file an energy conservation plan with the Commission within one year of the effective date of these rules and annual updates thereafter when changes require such.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-314. Intermittent gas ignition**

- A. Application and scope.** The provisions of this rule are applicable to the following types of gas appliances:
1. All residential gas-fired space heating equipment requiring electrical supply for operation,
  2. All residential gas-fired clothes dryers,

3. All residential gas-fired household cooking appliances having an electrical supply cord or electrical junction box,
  4. All residential gas-fired air conditioners,
  5. All residential decorative gas lots which are automatically ignited and require electrical supply for operation,
  6. All residential vented decorative gas appliances which are automatically lighted and require electrical supply for operation.
- B. Prohibition of distribution, sales and installation**
1. No person shall cause to be distributed, sold or installed in this state a newly produced gas appliance subject to this rule which has not been certified by the Commission. This prohibition shall not take effect for any particular type of gas appliance until 24 months after at least one model of that type of appliance has been certified by the Commission.
  2. All gas appliances certified by the Commission shall have the statement, "This appliance is equipped with an intermittent type ignition device" or "Equipped with IID" or "IID Equipped" on the rating plate.
- C. Definitions.** For the purpose of this rule, and unless otherwise indicated, the following definitions shall apply in addition to those definitions shown in Title 40, Section 1, Chapter 7, Article 1, Paragraph 40-1201, of the A.R.S.:
1. "Certified by the Commission" means that the Commission has acknowledged receipt of one of the following for an appliance equipped with an intermittent type ignition device; a photostatic copy of the A.G.A. Appliance Certificate or the UL Listing Certificate; a listing of the appliance in the A.G.A. "Directory of Certified Appliances and Accessories" or the UL "Gas and Oil Equipment List"; or a certified test report from a recognized independent testing laboratory acceptable to the Commission stating that the appliance has been tested and conforms to the applicable American National Standards as mentioned below.
  2. "Newly produced" means not previously used for the purpose for which designed or any other related purpose and constructed entirely of new unused parts and materials.
  3. "Rating plate" means a plate, or combination of adjacent plates located so as to be easily read when the appliance is in a normally installed position.
- D. Gas-fired space heating equipment.**
1. Except as otherwise provided, all intermittent type ignition devices used on gas-fired space heating equipment shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975, Automatic Gas Ignition Systems and Components.
  2. Except as otherwise provided, gas-fired space heating equipment shall be certified by the Commission if it complies with one of the standards approved by the American National Standards Institute, Inc., known as:
    - a. ANSI Z21.47-1973-Gas-Fired Gravity and Forced Air Central Furnaces, addenda Z21.47a-1974, and addenda Z21.47b-1975.
    - b. ANSI Z21-11.1-1974-Vented Room Heaters, addenda Z21.11.1a-1975 and addenda Z21.11.1b-1976.
    - c. ANSI Z21.13-1974-Gas-Fired Low-Pressure Steam and Hot Water Boilers, and addenda Z21.13a-1976.
    - d. ANSI Z21.44-1977-Gas-Fired Gravity and Fan Type Sealed Combustion System Wall Furnaces.
    - e. ANSI Z21.49-1975-Gas-Fired Gravity and Fan Type Vented Wall Furnaces and addenda Z21.49a-1977.
    - f. ANSI Z21.48-1973-Gravity and Fan Type Floor Furnaces and addenda Z21.48a-1974 and addenda Z21.48b-1975.
- E. Gas clothes dryers.**
1. Except as otherwise provided, all intermittent type ignition devices used on gas clothes dryers shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975-Automatic Gas Ignition Systems and Components.
  2. Except as otherwise provided, gas clothes dryers shall be certified by the Commission, if they comply with the standards approved by the American National Standards Institute, Inc., known as ANSI Z21.5.1-1975-Type 1 Clothes Dryers.
- F. Household cooking gas appliances.**
1. Except as otherwise provided, all intermittent type ignition devices used on a household cooking gas appliance shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975-Automatic Gas Ignition Systems and Component.
  2. Except as otherwise provided, household cooking gas appliances shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.1-1974-Household Cooking Appliances, addenda Z21.1a-1974, and addenda Z21.1b-1976.
- G. Gas-fired air conditioners.**
1. Except as otherwise provided, all intermittent type ignition devices used on a gas-fired air conditioner shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975-Automatic Gas Ignition Systems and Components.
  2. Except as otherwise provided, gas-fired air conditioners shall be certified by the Commission, if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.40.1-1973-Gas-Fired Absorption Summer Air Conditioning Appliances, and addenda Z21.40.1a-1974.
- H. Decorative gas logs.**
1. Shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975-Automatic Gas Ignition Systems and Components.
  2. Except as otherwise provided, gas-fired decorative gas logs shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.60-1975-Decorative Gas Appliances for Installation in Vented Fireplaces and addenda Z21.60a-1976.
- I. Vented decorative gas appliances.**
1. Shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.20-1975-Automatic Gas Ignition Systems and Components.
  2. Except as otherwise provided, gas-fired vented decorative appliances shall be certified by the Commission if they comply with the standards approved by the American National Standards Institute, Inc., known as: ANSI Z21.50-1973-Vented Decorative Gas Appliances, addenda Z21.50a-1974 and addenda Z21.50b-1974.
- J. The statement mentioned in subsection (B)(2) which is required on the rating plate will be the Seal of Certification for**

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Arizona. The rating plate will be furnished and applied and distributed by the manufacturer.

- K. The Utilities Division of this Commission is charged with the duty of maintaining the records necessary for the control of the Certification Program and will notify manufacturers in accordance with paragraph 40-1204, Article 1, Chapter 7, Title 40 of the Arizona Revised Statutes.
- L. Variance. Variation from the terms and conditions of this rule shall be permitted only upon the verified application of an affected party to the Commission, setting forth the circumstances whereby the public interest requires such variation, and upon the issuance of a special Order of the Commission. The Commission may require an application for such variation to be presented in a public hearing.

**Historical Note**

Former Section R14-2-135 renumbered as Section R14-2-314 without change effective March 2, 1982 (Supp. 82-2).

**ARTICLE 4. WATER UTILITIES****R14-2-401. Definitions**

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "Advance in aid of construction." Funds provided to the utility by the applicant under the terms of a main extension agreement the value of which may be refundable.
2. "Applicant." A person requesting the utility to supply water service.
3. "Application." A request to the utility for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission." The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month." The period between any two regular readings of the utility's meters at approximately 30 day intervals.
6. "Billing period." The time interval between two consecutive meter readings that are taken for billing purposes.
7. "Commodity charge." The unit of cost per billed usage, as set forth in the utility's tariffs.
8. "Contributions in aid of construction." Funds provided to the utility by the applicant under the terms of a main extension agreement and/or service connection tariff the value of which are not refundable.
9. "Customer." The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
10. "Customer charge." The amount the customers must pay the utility for the availability of water service, excluding any water used, as specified in the utility's tariffs.
11. "Day." Calendar day.
12. "Distribution main." A water main of the utility from which service connections may be extended to customers.
13. "Interruptible water service." Water service that is subject to interruption or curtailment.
14. "Main extension." The mains and ancillary equipment necessary to extend the existing water distribution system to provide service to additional customers.
15. "Master meter." A meter for measuring or recording the flow of water at a single location where said water is transported through an underground piping system to tenants or occupants for their individual consumption.
16. "Meter." The instrument for measuring and indicating or recording the volume of water that has passed through it.
17. "Meter tampering." A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
18. "Minimum charge." The amount the customer must pay for the availability of water service, including an amount of usage, as specified in the utility's tariffs.
19. "Minimum delivery pressure." 20 pounds per square inch gauge at the meter or point of delivery.
20. "Permanent customer." A customer who is a tenant or owner of a service location who applies for and receives water service.
21. "Permanent service." Service which, in the opinion of the utility, is of a permanent and established character. The use of water may be continuous, intermittent, or seasonal in nature.
22. "Person." Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
23. "Point of delivery." The point where facilities owned, leased, or under license by a customer connect to the utility's pipes or at the outlet side of the meter.
24. "Premises." All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
25. "Residential subdivision development." Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
26. "Residential use." Service to customers using water for domestic purposes such as personal consumption, water heating, cooking, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
27. "Rules." The regulations set forth in the tariffs which apply to the provision of water service.
28. "Service area." The territory in which the utility has been granted a Certificate of Convenience and Necessity and is authorized by the Commission to provide water service.
29. "Service establishment charge." The charge as specified in the utility's tariffs which covers the cost of establishing a new account.
30. "Service line." A water line that transports water from a common source (normally a distribution main) of supply to the customer's point of delivery.
31. "Service reconnect charge." The charge as specified in the utility's tariffs which must be paid by the customer prior to reestablishment of water service each time the water is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the utility's fixed rules.
32. "Service reestablishment charge." A charge as specified in the utility's tariffs for service at the same location where the same customer had ordered a service disconnection within the preceding 12-month period.
33. "Single family dwelling." A house, an apartment, a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a permanent home.
34. "Tariffs." The documents filed with the Commission which list the services and products offered by the water company and which set forth the terms and conditions

and a schedule of the rates and charges for those services and products.

35. "Temporary service." Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the utility, is for operations of a speculative character is also considered temporary service.
36. "Utility." The public service corporation providing water service to the public in compliance with state law.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

#### **R14-2-402. Certificates of Convenience and Necessity for Water Utilities; Extensions of Certificates of Convenience and Necessity for Water Utilities; Abandonment, Sale, Lease, Transfer, or Disposal of a Water Utility; Discontinuance or Abandonment of Water Utility Service**

A. In this Section, unless otherwise specified:

1. "Applicant" means a person who submits an application to obtain a Certificate of Convenience and Necessity to construct water utility facilities or operate as a water utility or to extend the service area under an existing Certificate of Convenience and Necessity held by the person.
2. "CC&N" means Certificate of Convenience and Necessity.
3. "Commission" means the Arizona Corporation Commission.
4. "Contiguous" means in actual contact, touching, such as by sharing a common border.
5. "Extension area" means the geographic area that an applicant is requesting to have added to the applicant's existing CC&N service area.

B. Application for a new CC&N or extension of a CC&N

1. Any person who desires to construct water utility facilities or to operate as a water utility shall, prior to commencing construction of utility facilities or operations, file with the Commission an application for a CC&N and obtain Commission approval.
2. Any utility that desires to extend its CC&N service area shall file with the Commission an application for a CC&N extension.
3. Before filing an application for a CC&N or a CC&N extension, a person shall provide written notice of the person's intention to file the application to each person who owns land within the proposed service area or extension area and who has not requested service. Each written notice to a landowner shall include, at a minimum:
  - a. The legal name, physical address, mailing address (if different), and telephone number of the intended applicant;
  - b. The approximate date by which the application will be filed;
  - c. The type of services to be provided if the application is approved;
  - d. The physical addresses and toll-free telephone numbers, in Phoenix and Tucson, for the Consumer Services Section of the Commission; and
  - e. The following information:
    - i. That the recipient is a property owner within the proposed service area or extension area;
    - ii. That if the application is granted, the intended applicant will be the exclusive provider of the specific services to the proposed service area or extension area and will be required by the Commission to provide those services under

rates and charges and terms and conditions established by the Commission;

- iii. That a CC&N does not prohibit persons from providing services only to themselves using their own facilities on their own property, although other applicable laws may restrict such activity;
  - iv. That the application is available for inspection during regular business hours at the offices of the Commission and at the offices of the intended applicant;
  - v. That the Commission will hold a hearing on the application;
  - vi. That the landowner may have the right to intervene in the proceeding and may appear at the hearing and make a statement on his or her own behalf even if the landowner does not intervene;
  - vii. That the landowner may contact the Commission for the date and time of the hearing and for information on intervention;
  - viii. That the landowner may not receive any further notice of the application proceeding unless requested; and
  - ix. That the landowner may contact the intended applicant or the Consumer Services Section of the Commission if the landowner has any questions or concerns about the application, has any objections to approval of the application, or wishes to make a statement in support of the application.
4. Within 10 days after filing an application for a CC&N or a CC&N extension, an applicant shall provide written notice of the application to the municipal manager or administrator of each municipality with corporate limits that overlap with or are within five miles of the proposed service area or extension area. Each written notice shall include, at a minimum:
    - a. The applicant's legal name, mailing address, and telephone number;
    - b. The date the application was filed;
    - c. The type of services to be provided if the application is approved;
    - d. A description of the requested service area or extension area, expressed in terms of cadastral (quarter section) or metes and bound survey;
    - e. The Commission docket number assigned to the application; and
    - f. Instructions on how to obtain a copy of the application.
  5. Each application for a new CC&N or CC&N extension shall be submitted in a form and number prescribed by the Commission and shall include, at a minimum, the following information:
    - a. The applicant's legal name, mailing address, and telephone number;
    - b. If the applicant will or does operate the utility under a different business name, the name under which the applicant will be doing business;
    - c. The full name, mailing address, and telephone number of a management contact for the applicant;
    - d. The full name, mailing address, and telephone number of the attorney for the applicant, if any;
    - e. The full name, mailing address, and telephone number of the operator certified by the Arizona Depart-

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- ment of Environmental Quality who is or will be working for the applicant;
- f. The full name, mailing address, and telephone number of the onsite manager for the applicant;
  - g. Whether the applicant is a corporation, a partnership, a limited liability company, a sole proprietor, or another specified type of legal entity;
  - h. If the applicant is a corporation, the following:
    - i. Whether the applicant is a “C” corporation, an “S” corporation, or a non-profit corporation and whether the corporation is domestic or foreign;
    - ii. A list of the full names, titles, and mailing addresses of each of the applicant’s officers and directors;
    - iii. A copy of the applicant’s certificate of good standing issued by the Commission’s Corporations Division;
    - iv. Unless the applicant is applying for a CC&N extension, a certified copy of the applicant’s articles of incorporation and by-laws; and
    - v. If the applicant is a for-profit corporation, the number of shares of stock authorized for issue and, if any stock has been issued, the number of shares issued and date of issuance;
  - i. If the applicant is a partnership, the following:
    - i. Whether the applicant is a limited partnership or a general partnership and whether the partnership is domestic or foreign;
    - ii. The full names and mailing addresses of the applicant’s general partners;
    - iii. The full names, mailing addresses, and telephone numbers of the applicant’s managing partners;
    - iv. Unless the applicant is applying for a CC&N extension, a copy of the applicant’s articles of partnership; and
    - v. If the applicant is a foreign limited partnership, a copy of the applicant’s certificate of registration filed with the Arizona Secretary of State;
  - j. If the applicant is a limited liability company, the following:
    - i. The full names and mailing addresses of the applicant’s managers or, if management is reserved to the members, the applicant’s members;
    - ii. Unless the applicant is applying for a CC&N extension, a copy of the applicant’s articles of organization;
  - k. The legal name and mailing address of each other utility in which the applicant has an ownership interest;
  - l. A description of the requested service area or extension area, expressed in terms of cadastral (quarter section) or metes and bound survey;
  - m. The name of each county in which the requested service area or extension area is located and a description of the area’s location in relation to the closest municipality, which shall be named;
  - n. A complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met;
  - o. The estimated total construction cost of the proposed offsite and onsite facilities, including documentation to support the estimates, and an explanation of how the construction will be financed, such as through debt, equity, advances in aid of construction, contributions in aid of construction, or a combination thereof;
  - p. Documentation establishing the applicant’s financial condition, including at least the applicant’s current assets and liabilities, an income statement, the applicant’s estimated revenue and expenses for the first five years following approval of the application, and the estimated value of the applicant’s utility plant in service for the first five years following approval of the application;
  - q. The rates proposed to be charged for services rendered, shown in the form of a proposed tariff that complies with Commission standards;
  - r. The estimated annual operating revenues and expenses for the first five years of operation for the requested service area or extension area, expressed separately for residential, commercial, industrial, and irrigation services, and including a description of each assumption made to derive the estimates;
  - s. A detailed description of the proposed construction timeline for facilities, with estimated starting and completion dates and, if construction is to be phased, a description of each separate phase of construction;
  - t. A copy of any requests for service from persons who own land within the proposed service area or extension area, which shall identify the applicant by name;
  - u. Maps of the proposed service area or extension area identifying:
    - i. The boundaries of the area, with the total acreage noted;
    - ii. The land ownership boundaries within the area, with the acreage of each separately owned parcel within the area noted;
    - iii. The owner of each parcel within the area;
    - iv. Any municipality corporate limits that overlap with or are within five miles of the area;
    - v. The service area of any public service corporation, municipality, or district currently providing water or wastewater service within one mile of the area, with identification of the entity providing service and each type of service being provided;
    - vi. The location within the area of any known water service connections that are already being provided service by the applicant;
    - vii. The location of all proposed developments within the area;
    - viii. The proposed location of each water system and the principal components described in subsection (B)(5)(n); and
    - ix. The location of all parcels for which a copy of a request for service has been submitted per subsection (B)(5)(t);
  - v. A copy of each notice to be sent, as required under subsection (B)(4), to a municipal manager or administrator;

- w. A copy of each notice sent, as required under subsection (B)(3), to a landowner not requesting service;
  - x. For each landowner not requesting service, either the written response received from the landowner or, if no written response was received, a description of the actions taken by the applicant to obtain a written response;
  - y. A copy of each city, county, or state agency approval required by law to construct the proposed facilities or operate the utility within the proposed service area or extension area or, for any approval not yet obtained, the status of the applicant's application for the approval;
  - z. The estimated number of customers to be served for each of the first five years of operation, expressed separately for residential, commercial, industrial, and irrigation customers and including documentation to support the estimates;
  - aa. A description of how wastewater service is to be provided in the proposed service area or extension area and the name of each wastewater service provider for the area, if any;
  - bb. A letter from each wastewater service provider identified under subsection (B)(5)(aa), confirming the provision of wastewater service for the proposed service area or extension area;
  - cc. Plans for or a description of water conservation measures to be implemented in the proposed service area or extension area, including, at a minimum:
    - i. A description of the information about water conservation or water saving measures that the utility will provide to the public and its customers;
    - ii. A description of how the applicant will work with each wastewater service provider identified under subsection (B)(5)(aa) to encourage water conservation;
    - iii. A description of the sources of water that will be used to supply parks, recreation areas, golf courses, greenbelts, ornamental lakes, and other aesthetic water features;
    - iv. A description of any plans for the use of reclaimed water;
    - v. A description of any plans for the use of recharge facilities;
    - vi. A description of any plans for the use of surface water; and
    - vii. A description of any other plans or programs to promote water conservation;
  - dd. A backflow prevention tariff that complies with Commission standards, if not already on file;
  - ee. A curtailment tariff that complies with Commission standards, if not already on file;
  - ff. A copy of a Physical Availability Determination, Analysis of Adequate Water Supply, or Analysis of Assured Water Supply issued by the Arizona Department of Water Resources for the proposed service area or extension area or, if not yet obtained, the status of the application for such approval;
  - gg. If the applicant is requesting a CC&N extension:
    - i. A current compliance status report from the Arizona Department of Environmental Quality, dated no more than 30 days before the date the CC&N extension application is filed, for each water system operated by the applicant, as identified by a separate Arizona Department of Environmental Quality Public Water System Identification Number; and
    - ii. A water use data sheet for the water system being extended by the applicant; and
  - hh. The notarized signature of the applicant.
6. Upon receiving an application under subsection (B)(5), Utilities Division staff shall review and process the application in accordance with the requirements of R14-2-411.
  7. Once Utilities Division staff determines that an application submitted under subsection (B)(5) is administratively complete, the Commission shall, as expeditiously as practicable, schedule a hearing to consider the application.
- C. Application for discontinuance or abandonment of utility service**
1. A utility shall not discontinue or abandon any service currently in use by the public without first obtaining authority therefor from the Commission.
  2. A utility desiring to discontinue or abandon a service shall file with the Commission an application identifying the utility; including data regarding past, present and estimated future customer use of the service; describing any plant or facility that would no longer be in use if the application were approved; and explaining why the utility desires to discontinue or abandon the service.
  3. A utility is not required to apply for Commission approval to remove individual facilities where a customer has requested service discontinuance.
- D. Application for authority to abandon, sell, lease, transfer, or otherwise dispose of a utility**
1. A utility shall not abandon, sell, lease, transfer, or otherwise dispose of its facilities or operation without first obtaining authority therefor from the Commission.
  2. A utility desiring to abandon, sell, lease, transfer, or otherwise dispose of its facilities or operation shall file with the Commission an application that includes, at a minimum:
    - a. The legal name, physical address, mailing address (if different), and telephone number of the utility;
    - b. A description of the utility property proposed to be abandoned, sold, leased, transferred, or otherwise disposed of;
    - c. Documentation establishing the utility's financial condition, including at least the utility's current assets and liabilities, an income statement, the utility's revenue and expenses for the most recently completed 12-month accounting period, and the value of the utility's utility plant in service;
    - d. The legal name, physical address, mailing address (if different), and telephone number of any proposed purchaser, lessee, transferee, or assignee;
    - e. The terms and conditions of the proposed abandonment, sale, lease, transfer, or assignment and copies of any agreement that has been or will be executed concerning the transaction;
    - f. A description of the effect that the proposed transaction will have upon the utility's services;
    - g. The method by which the proposed transaction is to be financed;
    - h. A description of the effect that the proposed transaction will have upon any other utility;
    - i. The number of customers to be affected by the proposed transaction; and
    - j. A description of the effect that the proposed transaction will have upon customers.

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- E. Additions or extensions of service contiguous to existing CC&N service areas
1. Except in the case of an emergency, a utility that proposes to extend service to a parcel located in a non-certificated area contiguous to its CC&N service area shall notify the Commission before the service extension occurs.
  2. Each notification required under subsection (E)(1) shall be in writing, shall be verified, and shall set forth, at a minimum:
    - a. The legal name, mailing address, and telephone number of the utility;
    - b. The number of persons to be served in the contiguous parcel;
    - c. The legal description of the contiguous parcel and the location of the structures to be served therein, in relation to the utility's CC&N service area; and
    - d. A statement that service will be extended only to a non-certificated parcel contiguous to the utility's CC&N service area.
  3. When emergency service is required to be provided to a person in a non-certificated area contiguous to a utility's CC&N service area, the utility shall notify the Commission of the service extension as soon as possible after the service extension occurs by providing written notice that includes the information required under subsection (E)(2) and describes the nature and extent of the emergency.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended by adding subsection (C) effective September 28, 1982 (Supp. 82-5). Amended by final rulemaking at 15 A.A.R. 2066, effective January 22, 2010 (Supp. 09-4).

**R14-2-403. Establishment of service**

- A. Information from new applicants
1. A utility may obtain the following minimum information from each new applicant for service:
    - a. Name or names of applicant(s).
    - b. Service address or location and telephone number
    - c. Billing address/telephone number, if different than service address.
    - d. Address where service was provided previously.
    - e. Date applicant will be ready for service.
    - f. Indication of whether premises have been supplied with utility service previously.
    - g. Purpose for which service is to be used.
    - h. Indication of whether applicant is owner or tenant of or agent for the premises.
  2. Each utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
  3. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.
- B. Deposits
1. A utility may require a deposit from any new applicant for service.
  2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
  3. Interest on deposits shall be calculated annually at an interest rate filed by the utility and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be 6%.
4. Interest shall be credited to the customer's bill annually.
  5. Residential deposits shall be refunded within 30 days after:
    - a. 12 consecutive months of service without being delinquent in the payment of utility bills provided the utility may reestablish the deposit if the customer becomes delinquent in the payment of bills two or more times within a 12-consecutive-month period.
    - b. Upon discontinuance of service when the customer has paid all outstanding amounts due the utility.
  6. A separate deposit may be required for each meter installed.
  7. The amount of a deposit required by the utility shall be determined according to the following terms:
    - a. Residential customer deposits shall not exceed two times the average residential class bill as evidenced by the utility's most recent annual report filed with the Commission.
    - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
    - c. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
  8. Upon discontinuance of service, the deposit may be applied by the utility toward settlement of the customer's bill.
- C. Grounds for refusal of service. A utility may refuse to establish service if any of the following conditions exist:
1. The applicant has an outstanding amount due for the same class of utility service with the utility and the applicant is unwilling to make arrangements with the utility for payment.
  2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
  3. Refusal by the applicant to provide the utility with a deposit.
  4. Customer is known to be in violation of the utility's tariffs filed with the Commission or of the Commission's rules and regulations.
  5. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
  6. Applicant falsifies his or her identity for the purpose of obtaining service.
- D. Service establishments, re-establishments or reconnection charge
1. A utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services.
  2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection. Where the utility scheduling will not permit service establishment on the same day requested, the customer can elect to pay the after-hour charge for establishment that day.
  3. For the purpose of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install a meter, read a meter, or turn the service on.
- E. Temporary service
1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the esti-

mated cost of installing and removing the facilities necessary for furnishing the desired service.

2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the utility.
4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's main extension rules shall apply.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsections (B) and (D) effective September 28, 1982 (Supp. 82-5). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-404. Minimum customer information requirements

##### A. Information for residential customers

1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
  - b. Rate blocks, where applicable.
  - c. Any adjustment factor(s) and method of calculation.
2. The utility shall to the extent practical identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, a utility shall make available upon customer request not later than 60 days from the date of request a copy of the Commission's rules and regulations governing:
  - a. Deposits
  - b. Terminations of service
  - c. Billing and collection
  - d. Complaint handling.
4. Each utility upon written request of a customer shall transmit a concise statement of actual consumption by such customer for each billing period during the prior 12 months unless such data is not reasonably ascertainable.
5. Each utility shall inform all new customers of their rights to obtain the information specified above.

##### B. Information required due to changes in tariffs

1. Each utility shall transmit to affected customers by the most economic means available a concise summary of any change in the utility's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

#### R14-2-405. Service connections and establishments

##### A. Priority and timing of service establishments

1. After an applicant has complied with the utility's application and deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within five working days of the date the customer has

been accepted for service, except in those instances when the customer requests service establishment beyond the five working day limitation.

3. When the utility has made arrangements to meet with a customer for service establishment purposes and the utility or the customer cannot make the appointment during the prearranged time, the utility shall reschedule the service establishment to the satisfaction of both parties.
4. Each utility shall schedule service establishment appointments within a maximum range of four hours during normal working hours, unless another time-frame is mutually acceptable to the utility and the customer.
5. Service establishments shall be made only by qualified utility service personnel.
6. For the purposes of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and the utility needs only to install or read a meter or turn the service on.

##### B. Service lines

1. An applicant for service shall be responsible for the cost of installing all customer piping up to the meter.
2. An applicant for service shall pay to the utility as a refundable advance in aid of construction the sum as set forth in the utility's tariff for each size service and meter. Except where the refundable advances in aid of construction for meters and service lines have been included in refundable advances in aid of construction for line extensions and thus are refundable pursuant to main extension contracts approved by the Commission, each advance in aid of construction for a service line or meter shall be repaid by the utility by an annual credit of 1/10 of the amount received, said credit to be applied upon the water bill rendered in November of each year until fully paid, for each service and meter for which the advance was made, and said credit to commence the month of November for all such advances received during the preceding calendar year.
3. Where service is being provided for the first time, the customer shall provide and maintain a private cutoff valve within 18 inches of the meter on the customer's side of the meter, and the utility shall provide a like valve on the utility's side of such meter.
4. The Company may install its meter at the property line or, at the Company's option, on the customer's property in a location mutually agreed upon.
5. Where the meter or service line location on the customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense all piping necessary for relocating the meter and the utility may make a charge for moving the meter and/or service line.
6. The customer's lines or piping must be installed in such a manner as to prevent cross-connection or backflow.
7. Each utility shall file a tariff for service and meter installations for Commission review and approval.

##### C. Easements and rights-of-way

1. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
2. When a utility discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of



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federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (B) effective September 28, 1982 (Supp. 82-5).

**R14-2-406. Main extension agreements**

- A.** Each utility entering into a main extension agreement shall comply with the provisions of this rule which specifically defines the conditions governing main extensions.
- B.** An applicant for the extension of mains may be required to pay to the Company, as a refundable advance in aid of construction, before construction is commenced, the estimated reasonable cost of all mains, including all valves and fittings.
1. In the event that additional facilities are required to provide pressure, storage or water supply, exclusively for the new service or services requested, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from future consumers using these facilities, the estimated reasonable cost of such additional facilities may be included in refundable advances in aid of construction to be paid to the Company.
  2. Upon request by a potential applicant for a main extension, the utility shall prepare, without charge, a preliminary sketch and rough estimate of the cost of installation to be paid by said applicant. Any applicant for a main extension requesting the utility to prepare detailed plans, specifications, or cost estimates may be required to deposit with the utility an amount equal to the estimated cost of preparation. The utility shall, upon request, make available within 45 days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed main extension. Where the applicant accepts utility construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications and cost estimates.
  3. Where the utility requires an applicant to advance funds for a main extension, the utility shall furnish the applicant with a copy of the Commission rules on main extension agreements prior to the applicant's acceptance of the utility's extension agreement.
  4. In the event the utility's actual cost of construction is less than the amount advanced by the customer, the utility shall make a refund to the applicant within 30 days after the completion of the construction or utility's receipt of invoices related to that construction.
  5. The provisions of this rule apply only to those applicants who in the utility's judgment will be permanent customers of the utility. Applications for temporary service shall be governed by the Commission's rules concerning temporary service applications.
- C.** Minimum written agreement requirements
1. Each main extension agreement shall include the following information:
    - a. Name and address of applicant(s)
    - b. Proposed service address
    - c. Description of requested service
    - d. Description and map of the requested line extension
  - e. Itemized cost estimate to include materials, labor, and other costs as necessary
  - f. Payment terms
  - g. A clear and concise explanation of any refunding provisions, if applicable
  - h. Utility's estimated start date and completion date for construction of the main extension
2. Each applicant shall be provided with a copy of the written main extension agreement.
- D.** Refunds of advances made pursuant to this rule shall be made in accord with the following method: the Company shall each year pay to the party making an advance under a main extension agreement, or that party's assignees or other successors in interest where the Company has received notice and evidence of such assignment or succession, a minimum amount equal to 10% of the total gross annual revenue from water sales to each bona fide consumer whose service line is connected to main lines covered by the main extension agreement, for a period of not less than 10 years. Refunds shall be made by the Company on or before the 31st day of August of each year, covering any refunds owing from water revenues received during the preceding July 1st to June 30th period. A balance remaining at the end of the ten-year period set out shall become non-refundable, in which case the balance not refunded shall be entered as a contribution in aid of construction in the accounts of the Company, however, agreements under this general order may provide that any balance of the amount advanced thereunder remaining at the end of the 10 year period set out, shall thereafter remain payable in whole or in part and in such manner as is set forth in the agreement. The aggregate refunds under this rule shall in no event exceed the total of the refundable advances in aid of construction. No interest shall be paid by the utility on any amounts advanced. The Company shall make no refunds from any revenue received from any lines, other than customer service lines, leading up to or taking off from the particular main extension covered by the agreement.
- E.** Amounts advanced in aid of construction of main extensions shall be refunded in accord with the rules of this Commission in force and effect on the date the agreement therefor was executed. All costs under main extension agreements entered into after the adoption of this rule shall be refunded as provided herein.
- F.** The Commission will not approve the transfer of any Certificate of Public Convenience and Necessity where the transferor has entered into a main extension agreement, unless it is demonstrated to the Commission that the transferor has agreed to satisfy the refund agreement, or that the transferee has assumed and has agreed to pay the transferor's obligations under such agreement.
- G.** All agreements entered into under this rule shall be evidenced by a written statement, and signed by the Company and the parties advancing the funds for advances in aid under this rule or the duly authorized agents of each.
- H.** The size, design, type and quality of materials of the system, installed under this rule location in the ground and the manner of installation, shall be specified by the Company, and shall be in accord with the requirements of the Commission or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission or any other public agencies having authority over the construction and operation of the water system and mains, except individual main extensions, shall comply with and conform to the following minimum specifications:
1. 150 p.s.i. working pressure rating and
  2. 6" standard diameter.

However, single residential customer advances in aid of construction shall not exceed the reasonable cost of construction of the 6-inch diameter main extension.

- I. All pipelines, valves, fittings, wells, tanks or other facilities installed under this rule shall be the sole property of the Company, and parties making advances in aid of construction under this rule shall have no right, title or interest in any such facilities.
- J. The Company shall schedule all new requests for main extension agreements, and for service under main extension agreements, promptly and in the order received.
- K. An applicant for service seeking to enter into a main extension agreement may request that the utility include on a list of contractors from whom bids will be solicited, the name(s) of any bonded contractor(s), provided that all bids shall be submitted by the bid date stipulated by the utility. If a lower bid is thus obtained or if a bid is obtained at an equal price and with a more appropriate time of performance, and if such bid contemplates conformity with the Company's requirements and specifications, the Company shall be required to meet the terms and conditions of the bid proffered, or to enter into a construction contract with the contractor proffering such bid. Performance bond in the total amount of the contract may be required by the utility from the contractor prior to construction.
- L. Any discounts obtained by the utility from contracts terminated under this rule shall be accounted for by credits to the appropriate account dominated as Contributions in Aid of Construction.
- M. All agreements under this rule shall be filed with and approved by the Utilities Division of the Commission. No agreement shall be approved unless accompanied by a Certificate of Approval to Construct as issued by the Arizona Department of Health Services. Where agreements for main extensions are not filed and approved by the Utilities Division, the refundable advance shall be immediately due and payable to the person making the advance.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsections (D) and (K) effective September 28, 1982 (Supp. 82-5). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-407. Provision of service

- A. Utility responsibility. Each utility shall be responsible for providing potable water to the customer's point of delivery.
- B. Customer responsibility
  - 1. Each customer shall be responsible for maintaining all facilities on the customer's side of the point of delivery in a safe and efficient manner and in accordance with the rules of the state Department of Health.
  - 2. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying water to that customer.
  - 3. Each customer shall exercise all reasonable care to prevent loss or damage to utility property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to utility property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the utility for the cost of necessary repairs or replacements.
  - 4. Each customer shall be responsible for payment for any equipment damage resulting from unauthorized breaking of seals, interfering, tampering or bypassing the utility meter.
  - 5. Each customer shall be responsible for notifying the utility of any failure identified in the utility's equipment.

- 6. Water furnished by the utility shall be used only on the customer's premises and shall not be resold to any other person. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. Disregard for this rule shall be sufficient cause for refusal or discontinuance of service.

- C. Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:
  - 1. Any cause against which the utility could not have reasonably foreseen or made provision for, i.e., force majeure
  - 2. Intentional service interruptions to make repairs or perform routine maintenance
  - 3. Curtailment.
- D. Service interruptions
  - 1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
  - 2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
  - 3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
  - 4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.
  - 5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within four hours after the responsible representative of the utility becomes aware of said interruption by telephone to the Commission and followed by a written report to the Commission.
- E. Minimum delivery pressure. Each utility shall maintain a minimum standard delivery pressure of 20 pounds per square inch gauge (PSIG) at the customer's meter or point of delivery.
- F. Construction standards. Each utility shall construct all facilities in accordance with the guidelines established by the state Department of Health Services.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (F) effective September 28, 1982 (Supp. 82-5). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-408. Meter reading

- A. Frequency. Each meter shall be read monthly on as close to the same day as practical.
- B. Measuring of service
  - 1. All water delivered by the utility shall be billed upon the basis of metered volume sales except that the utility may,

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- at its option, provide a fixed charge schedule for the following:
- a. Temporary service where the water use can be readily estimated
  - b. Public and private fire protection service
  - c. Water used for street sprinkling and sewer flushing, when provided for by contract between the utility and the municipality or other local governmental authority
  - d. Other fixed charge schedules as shall be submitted to and approved by the Commission.
2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the facilities being metered.
- C. Customer requested rereads**
1. Each utility shall at the request of a customer reread the customer's meter within 10 working days after such request by the customer.
  2. Any rereads shall be charged to the customer at a rate on file and approved by the Commission, provided that the original reading was not in error.
  3. When a reading is found to be in error, the reread shall be at no charge to the customer.
- D. Access to customer premises.** Each utility shall have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the utility's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.
- E. Meter testing and maintenance program.** Each utility shall establish a regular program of meter testing taking into account the following factors:
1. Size of meter
  2. Age of meter
  3. Consumption
  4. Characteristics of water.
- F. Customer requested meter tests.** A utility shall test a meter upon customer request and each utility shall be authorized to charge the customer for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged to the customer.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- R14-2-409. Billing and collection**
- A. Frequency and estimated bills**
1. Each utility shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days.
  2. If the utility is unable to read the meter on the scheduled meter read date, the utility will estimate the consumption for the billing period giving consideration to the following factors where applicable:
    - a. The customer's usage during the same month of the previous year
    - b. The amount of usage during the preceding month.
  3. After the second consecutive month of estimating the customer's bill for reasons other than severe weather, the utility will attempt to secure an accurate reading of the meter.
  4. Failure on the part of the customer to comply with a reasonable request by the utility for access to its meter may lead to the discontinuance of service.
5. Estimated bills will be issued only under the following conditions:
    - a. Failure of a customer who read his own meter to deliver his meter reading card to the utility in accordance with the requirements of the utility billing cycle.
    - b. Severe weather conditions which prevent the utility from reading the meter.
    - c. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.
  6. Each bill based on estimated usage will indicate that it is an estimated bill.
- B. Combining meters, minimum bill information**
1. Each meter at a customer's premises will be considered separately for billing purposes, and the readings of two or more meters will not be combined.
  2. Each bill for residential service will contain the following minimum information:
    - a. Date and meter reading at the start of billing period
    - b. Previous month's meter reading
    - c. Billed usage
    - d. Utility telephone number
    - e. Customer's name
    - f. Service account number (if available)
    - g. Amount due and due date
    - h. Past due amount (where appropriate)
    - i. Adjustment factor, where applicable
    - j. Other approved tariff charges.
- C. Billing terms**
1. All bills for utility services are due and payable when rendered. Any payment not received within 15 days from the date the bill was rendered shall be considered delinquent.
  2. For purposes of this rule, the date a bill is rendered may be evidenced by:
    - a. The postmark date
    - b. The mailing date:
      - i. Certified mail
      - ii. Certificate of mailing.
  3. All delinquent bills shall be subject to the provisions of the utility's termination procedures as set forth in R14-2-410.
  4. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.
- D. Applicable tariffs, prepayment, failure to receive, commencement date, taxes**
1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
  2. Each utility shall make provisions for advance payment for utility services.
  3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
  4. Charges for service commence when the service is installed and connection made, whether used or not.
  5. In addition to the collection of regular rates, each utility may collect from its customers a proportionate share of any privilege, sales or use tax.
- E. Meter error corrections**
1. If any meter after testing is found to be more than 3% in error, either fast or slow, proper correction between 3% and the amount of the error shall be made of previous readings and adjusted bills shall be rendered according to the following terms:

- a. For the period of three months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three months since the meter shall have been shown to be in error by such test, or
  - b. From the date the error occurred, if the date of the cause can be definitely fixed.
2. No adjustment shall be made by the utility except to the customer last served by the meter tested.
- F. Insufficient funds (NSF) checks**
1. A utility shall be allowed to recover a fee, as approved by the Commission for each instance where a customer tenders payment for utility service with an insufficient funds check.
  2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.
  3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.
- G. Deferred payment plan**
1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
  2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
    - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
    - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
    - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
  3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
    - a. Size of the delinquent account
    - b. Customer's ability to pay
    - c. Customer's payment history
    - d. Length of time that the debt has been outstanding
    - e. Circumstances which resulted in the debt being outstanding
    - f. Any other relevant factors related to the circumstances of the customer.
  4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the utility from discontinuing service for nonpayment.
  5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
  7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.
- H. Change of occupancy**
1. Not less than three working days advance notice must be given in person, in writing, or by telephone at the utility's office to discontinue service or to change occupancy.
  2. The outgoing party shall be responsible for all utility services provided and/or consumed up to the scheduled turn-off date.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (C) effective September 28, 1982 (Supp. 82-5).
- R14-2-410. Termination of service**
- A. Nonpermissible reasons to disconnect service.** A utility may not disconnect service for any of the reasons stated below:
1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  3. Nonpayment of a bill related to another class of service.
  4. Failure to pay for a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the customer agrees to pay over a reasonable period of time.
- B. Termination of service without notice**
1. Utility service may be disconnected without advance written notice under the following conditions:
    - a. The existence of an obvious hazard to the safety or health of the consumer or the general population.
    - b. The utility has evidence of meter tampering or fraud.
    - c. Unauthorized resale or use of utility services.
    - d. Failure of a customer to comply with the curtailment procedures imposed by a utility during supply shortages.
  2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
  3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.
- C. Termination of service with notice**
1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:
    - a. Customer violation of any of the utility's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
    - b. Failure of the customer to pay a delinquent bill for utility service.
    - c. Failure to meet or maintain the utility's credit and deposit requirements.
    - d. Failure of the customer to provide the utility reasonable access to its equipment and property.
    - e. Customer breach of a written contract for service between the utility and customer.

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- f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
  - 2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements**
- 1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  - 2. Such advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the address where service is being rendered.
    - b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer to contact the utility at a specific address or phone number for information regarding any deferred payment or other procedures which the utility may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.
    - e. A statement advising the customer that the utility's stated reason for the termination of services may be disputed by contacting the utility at a specific address or phone number, advising the utility of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the utility in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the utility shall retain the option to terminate service.
- E. Timing of terminations with notice**
- 1. Each utility shall be required to give at least 10 days advance written notice prior to the termination date.
  - 2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
  - 3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
  - 4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the utility.
  - 5. The utility shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
- F. Landlord/tenant rule.** In situations where service is rendered at an address different from the mailing address of the bill or where the utility knows that a landlord/tenant relationship exists and that the landlord is the customer of the utility, and where the landlord as a customer would otherwise be subject

to disconnection of service, the utility may not disconnect service until the following actions have been taken:

- 1. Where it is feasible to so provide service, the utility, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the utility may disconnect service pursuant to the rules.
- 2. A utility shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (E) effective September 28, 1982 (Supp. 82-5). Amended to correct subsection numbering (Supp. 99-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

**R14-2-411. Administrative and Hearing Requirements**

- A. Customer service complaints**
- 1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
  - 2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
  - 3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
  - 4. The utility shall inform the customer of his right of appeal to the Commission.
  - 5. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
    - a. Name and address of the complainant
    - b. Date and nature of the complaint
    - c. Disposition of the complaint
    - d. A copy of any correspondence between the utility, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.
- B. Notice by utility of responsible officer or agent**
- 1. Each utility shall file with the Commission a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of the onsite manager of its operations.
  - 2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.
- C. Time-frames for processing applications for Certificates of Convenience and Necessity**
- 1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pur-

- suant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
  3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
  4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 30 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-time: 180 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- D. Accounts and records**
1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
  2. Each utility shall maintain its books and records in conformity with the NARUC Uniform Systems of Accounts for Class A, B, C and D Water Utilities.
  3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
  4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year.
  5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
  6. All utilities shall file with the Commission a copy of all annual reports required by the Federal Energy Regulatory Commission.
- E. Maps.** All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by

metes and bounds with a starting point determined by the aforesaid Cadastral Survey.

- F.** Variations, exemptions of Commission rules and regulations. Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 4) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.
- G.** Prior agreements. The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (D) effective September 28, 1982 (Supp. 82-5). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4).

### ARTICLE 5. TELEPHONE UTILITIES

#### R14-2-501. Definitions

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "Advance in aid of construction." Funds provided to the utility by the applicant under the terms of a construction agreement, which may be refundable.
2. "Applicant." A person or agency requesting the utility to supply telephone service.
3. "Application." A request to the utility for telephone service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission." The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Basic exchange service." Service provided to business or residential customers at a flat or measured rate which affords access to the telecommunications network.
6. "Billing period." The time interval between the issuance of two consecutive bills for utility service.
7. "Central office." The switching equipment and operating arrangements which provide exchange and long distance service to the public and interconnection of customer telecommunication services.
8. "Contribution in aid of construction." Funds provided to the utility by the applicant under the terms of a construction agreement or construction tariff which are not refundable.
9. "Customer." The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
10. "Day." Calendar day.
11. "Line extension." The lines and equipment necessary to provide service to additional customers.
12. "Person." Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.

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13. "Service access point." A demarcation point where facilities owned, leased, or under license by a customer connect to the utility provided access line.
  14. "Premises." All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
  15. "Residential subdivision development." Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
  16. "Rules." The regulations set forth in the tariffs which apply to the provision of telephone service.
  17. "Service area." The territory in which the utility has been granted a Certificate of Convenience and Necessity and is authorized by the Commission to provide telephone service.
  18. "Service charge." The charge as specified in the utility's tariffs which covers the cost of establishing moving, changing or reconnecting service or equipment.
  19. "Access line." A communications facility that connects service from a common distribution source to the service access point.
  20. "Tariffs." The documents filed with the Commission which list the utility services and products offered by the utility and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
  21. "Terminal equipment." The equipment through which communication services are furnished.
  22. "Temporary service." Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the utility, is for operations of a speculative character is also considered temporary service.
  23. "Toll service." Service between stations in different exchange areas for which a long distance charge is applicable.
  24. "Utility." The company providing telephone service to the public in compliance with state law.
    - g. The actual number of customers within the service area as of the time of filing and the estimated number of customers to be served for each of the first five years of operation.
    - h. Such other information as the Commission by order or the staff of the Utilities Division by written directive may request.
2. Once the applicant has satisfied the information requirements of this regulation, as well as any additional information required by the staff of the Commission's Utilities Division, the Commission shall, as expeditiously reasonably practicable, schedule hearings to consider such application.
- B.** Additions/extensions to existing Certificates of Convenience and Necessity. Each utility which extends utility service to a person not located within its certificated service area, but located in a non-certificated area contiguous to its certificated service area, shall, notify the Commission of such service extension.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-503. Establishment of service**

- A.** Information from new applicants
1. A utility may obtain the following minimum information from each new applicant for service:
    - a. Name or names of applicant(s).
    - b. Service address or location and telephone number
    - c. Billing address, if different than service address.
    - d. Address and telephone number where service was provided previously.
    - e. Date applicant will be ready for service.
    - f. Indication of whether premises have been supplied with telephone utility service previously.
    - g. Class of service to be provided.
    - h. Indication of whether applicant is owner or tenant of or agent for the premises.
  2. A utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
  3. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.
- B.** Deposits
1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
    - a. The applicant has had continuous telephone service of a comparable nature with the utility at another service location within the past two years and was not delinquent in payment more than once during the last 12 consecutive months or disconnected for non-payment.
    - b. The applicant can produce a letter regarding credit or verification from a telephone utility where service of a comparable nature was last received which states:
      - i. Applicant had a timely payment history at time of service discontinuation.
      - ii. Applicant has no outstanding liability from prior service.
    - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from an existing customer with service who is acceptable to the utility or a surety

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-502. Certificate of Convenience and Necessity for telephone utilities; additions/extensions; abandonments**

- A.** Application for new Certificate of Convenience and Necessity
1. Six copies of each application for a new Certificate of Convenience and Necessity shall be submitted in a form prescribed by the Commission and shall include, at a minimum, the following information:
    - a. The proper name and correct address of the proposed utility company and its owner if a sole proprietorship, each partner if a partnership, or the President and Secretary if a corporation.
    - b. A copy of the Articles of Partnership or Articles of Incorporation for the applicant and/or Bylaws if the utility is a non-profit organization, or association.
    - c. The rates proposed to be charged for the service that will be rendered.
    - d. A financial statement setting forth the financial condition of the applicant.
    - e. Maps of the proposed service area and/or a description of the area proposed to be served.
    - f. Appropriate city, county and/or state agency approvals, where appropriate.

bond as security for the utility. The utility shall review and release an existing customer as a guarantor for the new applicant after 12 consecutive months if no obligations are delinquent and has maintained a timely payment history.

2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
  3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
  4. Each utility shall file a deposit refund policy with the Commission, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded after 12 months of service if the customer has not been delinquent in the payment of utility bills or applied to the closing bill upon discontinuance of service.
  5. A utility may require a residential customer to establish a deposit if the customer becomes delinquent in the payment of two or more bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.
  6. The amount of a deposit required by the utility shall be determined according to the following terms:
    - a. Residential customer deposits shall not exceed two times that customer's estimated average monthly bill or the average monthly bill for the customer class for that customer which ever is greater.
    - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
  7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
- C. Grounds for refusal of service.** A utility may refuse to establish service if any of the following conditions exist:
1. The applicant has an outstanding amount due for similar utility services and the applicant is unwilling to make acceptable arrangements with the utility for payment.
  2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
  3. Refusal by the applicant to provide the utility with a deposit when the customer has failed to meet the credit criteria for waiver of deposit requirements.
  4. Customer is known to be in violation of the utility's tariffs filed with the Commission.
  5. Failure of the customer to furnish such funds, suitable facilities, and/or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
  6. Applicant falsifies his or her identity for the purpose of obtaining service.
- D. Service establishments, re-establishments or reconnection charge**
1. Each utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services.
  2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection.

3. For the purpose of this rule, service establishments are where the customer's and utility's facilities are ready and acceptable.

**E. Temporary service**

1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the funds provided under the terms of a construction agreement or the cost of installing and removing the facilities necessary for furnishing the desired service.
2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. If at any time the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's construction agreement or tariff shall apply.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-504. Minimum customer information requirements**

**A. Information for residential customers**

1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
  - a. The charges for basic service and incremental ancillary services requested by the applicant.
2. In addition, a utility shall make available upon customer request not later than 60 days from date of service commencement a concise summary of the utility's tariffs or the Commission's rules and regulations concerning:
  - a. Deposits
  - b. Terminations of service
  - c. Billing and collection
  - d. Complaint handling.

**B. Information required due to changes in tariffs**

1. Each utility shall transmit to affected customers by the most economic means available a concise summary of any change in the utility's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-505. Service connections and establishments**

**A. Priority and timing of service establishments**

1. After an applicant has complied with the utility's application, construction agreement, or tariff, deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within 10 working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the 10 working day limitation.
3. The maximum interval of 10 working days applies to single line residence and business installations only. Multi-line services and any special equipment configurations shall be installed within a reasonable time-frame based on availability of necessary equipment.
4. When a utility has made arrangements to meet with a customer for service establishment purposes and the utility or the customer cannot make the appointment during the



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- prearranged time, the utility shall reschedule the establishment to the satisfaction of both parties.
5. Unless another time-frame is mutually acceptable to the utility and the customer, each utility shall schedule service establishment appointments within a maximum range of four hours during normal working hours.
  6. For the purposes of this rule, service establishments are where the utility's and customer's facilities are available and the utility needs only to connect the service.

**B. Access line connection**

1. Provision of services beyond service access point
  - a. Facilities beyond the service access point may be provided by either the utility or the customer. Where the facilities are provided by the customer the installation shall be in accordance with the utility's specifications.
  - b. The cost of all new construction of inside customer premise wiring shall be the responsibility of the customer.
2. Company provided facilities
  - a. The utility shall provide all facilities up to the service access point.
  - b. A customer requesting an underground service connection in an area served by overhead facilities shall pay for the difference between the cost of an overhead service connection and the actual cost of the underground connection as a nonrefundable contribution. The customer may elect to provide the underground trenching on private property as an offsetting portion of the additional cost of the underground facilities.
  - c. In those instances where the utility is supplying the customer's terminal equipment, the utility may provide any inside wiring beyond the point of access in accordance with approved tariffs filed with the Commission.
3. Easements and rights-of-way
  - a. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
  - b. When a utility discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2).

**R14-2-506. Construction Agreements****A. General requirements**

1. Each utility shall file for Commission approval a tariff which incorporates the provisions of this rule and specifically defines the conditions governing construction agreements. Subsections (A), (B), (C), and (D) of this Section do not apply to tariffs providing for construction charges fixed by zone.

2. Upon request by an applicant for service, the utility shall provide, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.
3. Any applicant for service requesting the utility to prepare detailed plans, specifications, or cost estimates may be required to deposit with the utility an amount equal to the estimated cost of preparation. The utility shall, upon request, make available within 90 days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed construction. Where the applicant authorizes the utility to proceed with construction of the extension, the deposit shall be credited to the cost; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications and cost estimates.
4. Where the utility requires an applicant to advance funds for construction, the utility shall furnish the applicant with a copy of the agreement or tariff of the appropriate utility prior to the applicant's acceptance.
5. All construction agreements requiring payment by the applicant shall be signed by each party.
6. In the event the utility's actual cost of construction is less than the amount advanced by the customer under a construction agreement, the utility shall make a refund to the applicant within 120 days of service commencement.
7. The provisions of this rule apply only to those applicants who in the utility's judgment will be permanent customers of the utility. Applications for temporary service shall be governed by the Commission's rules concerning temporary service applications.

**B. Minimum written agreement requirements**

1. Each construction agreement shall, at a minimum, include the following information:
  - a. Name and address of applicant or applicants;
  - b. Proposed service address or location;
  - c. Description of requested service;
  - d. Description and sketch of the requested construction
  - e. A cost estimate to include materials, labor, and other costs as necessary;
  - f. Payment terms;
  - g. A concise explanation of any refunding provisions, if applicable;
  - h. Utility's estimated start date and completion date for construction;
  - i. A summary of the results of the economic feasibility analysis performed by the utility to determine the amount of advance required from the applicant for the proposed construction.
2. Each applicant shall be provided with a copy of the construction agreement.

**C. Construction requirements. Each construction tariff shall include the following provisions:**

1. A maximum footage and/or equipment allowance to be provided by the utility at no charge. The maximum footage and/or equipment allowance may be differentiated by customer class.
2. An economic feasibility analysis for construction which exceed the maximum footage and/or equipment allowance. Such economic feasibility analysis shall consider the incremental revenues and costs associated with the construction. In those instances where the requested construction does not meet the economic feasibility criteria established by the utility, the utility may require the customer to provide funds to the utility, which will make the

construction economically feasible. The methodology employed by the utility in determining economic feasibility shall be applied uniformly and consistently to each applicant requiring a construction.

3. The timing and methodology by which the utility will refund any advances in aid of construction as additional customers are served off the construction project. The customer may request an annual survey to determine if additional customers have been connected to and are using service from the project. In no case shall the amount of the refund exceed the amount originally advanced.
  4. All advances in aid of construction shall be noninterest bearing.
  5. If after five years from the utility's receipt of the advance, the advance has not been totally refunded, the advance shall be considered a contribution in aid of construction and shall no longer be refundable.
- D.** Residential subdivision development and permanent mobile home parks. Each utility shall submit as a part of its construction tariff provisions for residential subdivision developments and permanent mobile home parks.
- E.** Underground extension of communication lines
1. Extension of communication lines necessary to furnish permanent communication service to new residential buildings or mobile homes within a new or undeveloped subdivision and to residential development in which facilities for communication service have not been constructed for which applications are made by a developer shall be installed underground in accordance with the provisions set forth in this regulation and in accordance with applicable tariffs on file with this Commission except where it is not feasible from an engineering, operational or economic standpoint.
  2. Rights-of-way and easements
    - a. The utility shall construct or cause to be constructed and shall own, operate and maintain all underground communication feeder, distribution and service lines along public streets, roads and highways and on public lands and private property which the utility has the legal right to occupy.
    - b. Rights-of-way and easements suitable to the utility must be furnished by the developer at no cost to the utility and in reasonable time to meet service requirements. No underground communication facilities shall be installed by a utility until the final grades have been established and furnished to the utility. In addition, the easement strips, alleys and streets must be graded to within six inches of final grade by the developer before the utility will commence construction. Such clearance and grading must be maintained by the developer during construction by the utility.
    - c. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of the underground facilities, the cost of such relocation shall be borne by the developer or subsequent owners.
  3. Installation of underground communication lines within subdivision and multiple occupancy residential developments:
    - a. The developer shall provide the trenching backfill (including any imported backfill required), compaction, repaving, and any earthwork required to install the underground communication system all in accordance with the reasonable specifications and schedules of other utilities in the same area when feasible. At its option, if the utility's cost therefore is equal to or less than that which the developer would otherwise have to bear, the utility may elect at the developer's expense to perform the activities necessary to fulfill the developer's responsibility hereunder.
    - b. Each utility shall promptly inspect the trenching provided by the developer and allow for phased inspection of trenching. In all cases, the utility shall make every effort to expedite the inspection of developer provided trenching.
    - c. The utility shall install or cause to be installed underground communication lines and related equipment with sufficient capacity and suitable materials that ensure adequate and reasonable communication service in the foreseeable future and in accordance with the applicable provisions of Institute of Electrical and Electronic Engineers, Inc., Pub. No. C2-2007, The National Electrical Safety Code (2007), which is incorporated by reference in R14-2-207(E)(3)(c).
    - d. When developer is required to provide a trench for other underground utilities and services, the utility shall use such common trench as long as the utility's design layout, easement specification, routing and scheduling requirements can be met, unless otherwise agreed upon by utility and developer in writing or as otherwise established by the Commission.
  4. Special conditions
    - a. When the application of any of the provisions of the regulation appears to either party not to be feasible from an engineering, operational or economic standpoint, the utility or the developer may refer the matter to the Commission for a determination as to whether an exception to the underground policy expressed within the provisions of this regulation is warranted. Interested third parties may present their views to the Commission in conjunction with such referrals.
    - b. Notwithstanding any provision of this regulation to the contrary, no utility shall construct overhead communication lines in any new subdivision or new multiple occupancy residential development to which this regulation is applicable and which is contiguous to another subdivision or multiple occupancy residential development in which service is furnished underground without the approval of the Commission after a public hearing.
- F.** Nonapplicability. Any underground communication distribution system requiring more than normal communication service is not covered by this regulation and shall be constructed pursuant to the effective rules and regulations of the affected utility as approved by the Commission.
- G.** Ownership of facilities. Any facilities installed hereunder shall be the sole property of the utility.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended by exempt rulemaking at 5 A.A.R. 2054, effective June 4, 1999 (Supp. 99-2). Amended to correct subsection numbering (Supp. 99-4). Amended by final rulemaking at 15 A.A.R. 1933, effective December 27, 2009 (Supp. 09-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General certification provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301*

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(App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not certified by the Attorney General.

**R14-2-507. Provision of Service**

- A.** Utility responsibility. Each utility shall be responsible for maintaining in safe operating condition all equipment and fixtures used in providing utility service to the customer that are owned by and under the exclusive control of the utility.
- B.** Customer responsibility
1. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying utility service to that customer.
  2. Each customer shall be responsible for maintaining in safe operating condition all customer provided equipment and fixtures.
  3. Each customer shall exercise all reasonable care to prevent loss or damage to utility property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to utility property on the customer's premises arising from neglect, theft, carelessness, or misuse and shall reimburse the utility for the cost of necessary repairs or replacements.
  4. Each customer shall be responsible for payment for any equipment damage and/or use resulting from unauthorized use, interfering or tampering of the utility's equipment on the customer's premises.
  5. Each customer shall notify the utility of any equipment failure identified in the utility's equipment.
- C.** Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from but not limited to:
1. Any cause against which the utility could not have reasonably foreseen or made provision for, that is, force majeure.
  2. Intentional service interruptions to make repairs or perform routine maintenance of services constituting excusable negligence.
- D.** Service interruptions
1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
  2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
  3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
  4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.
  5. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.

- E.** Construction standards. Each utility shall construct all facilities in accordance with the provisions of Institute of Electrical and Electronic Engineers, Inc., Pub. No. C2-2007, The National Electrical Safety Code (2007), which is incorporated by reference in R14-2-207(E)(3)(c).

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective August 16, 1996 (Supp. 96-3). Amended by exempt rulemaking at 5 A.A.R. 2054, effective June 4, 1999 (Supp. 99-2). Amended to correct subsection numbering (Supp. 99-4). Amended by final rulemaking at 15 A.A.R. 1933, effective December 27, 2009 (Supp. 09-4).

**R14-2-508. Billing and collection**

- A.** Frequency. Each utility shall bill monthly for services rendered.
- B.** Minimum bill information. Each utility shall provide the following minimum information on customer bills:
1. Monthly charge for basic exchange service including delineation of the following:
    - a. Total charge for customer requested services and/or equipment.
    - b. Installation costs or other service fees, where applicable.
    - c. Reconnect fee, where applicable.
  2. Toll charges broken down to include the following details by toll call:
    - a. Date of call
    - b. Time of call
    - c. Location called
    - d. Phone number called
    - e. Duration of call
    - f. Indication of any rate class applied.
  3. Miscellaneous charges and credits shall be shown separately.
  4. Any taxes included in the customer's billing.
  5. Total amount due and due date.
  6. Past due amount.
  7. Utility telephone number.
  8. Customer's name.
  9. Service account number.
- C.** Billing terms: Each utility shall file a tariff which incorporates the following billing procedures:
1. The billing date shall be printed on the bill and the date rendered shall be the mailing date.
  2. Bills for telephone services may be considered delinquent 15 days after the date the bill is rendered.
  3. Delinquent accounts for which payment has not been received may be terminated 22 days after the date the bill is rendered.
  4. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.
- D.** Applicable tariffs, prepayment, failure to receive, commencement date, taxes
1. Each customer shall be billed under the applicable tariff.
  2. Each utility shall make provisions for advance payment for utility services.
  3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
  4. Charges for service commence when the service is installed and connection made, whether used or not.
  5. In addition to the collection of regular rates, each utility may collect from the customer a proportionate share of

- any privilege, sales or use tax, or other imposition based on the gross revenues received by the utility.
- E. Insufficient funds (NSF) checks**
1. A utility shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for utility service with an insufficient funds check.
  2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.
  3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.
- F. Deferred payment plan**
1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
  2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
    - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
    - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
    - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
  3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
    - a. Size of the delinquent account
    - b. Customer's ability to pay
    - c. Customer's payment history
    - d. Length of time that the debt has been outstanding
    - e. Circumstances which resulted in the debt being outstanding
    - f. Any other relevant factors related to the circumstances of the customer.
  4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the utility from discontinuing service for nonpayment.
  5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
  6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
  7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.
- G. Late payment penalty**
1. Each utility may include in its tariffs a late payment penalty which may be applied to delinquent bills.
  2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the utility.
  3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1-1/2% of the delinquent bill.
- H. Change of responsibility or occupancy**
1. Not less than three working days advance notice must be given in person, in writing, or by telephone at the utility's office to discontinue service, to change occupancy or to change account responsibility.
  2. The customer in whose name service is being rendered shall be responsible for all utility services provided and/or consumed up to the scheduled date of service discontinuation.
  3. Existing business service may be continued for a new subscriber only if the former subscriber consents and an agreement acceptable to the utility is made to pay all outstanding charges against the service.
  4. Change of responsibility on a residence account shall occur only in those cases where both parties previously shared telephone service.
- Historical Note**  
Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- R14-2-509. Termination of service**
- A. Nonpermissible reasons to disconnect service.** A utility may not disconnect service for any of the reasons stated below:
1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  3. Residential service may not be disconnected due to nonpayment of a bill related to another class of service.
  4. Failure to pay for a bill to correct a billing error if the customer agrees to pay over a reasonable period of time.
  5. Failure to pay the bill of another customer as guarantor thereof unless guarantor does not make acceptable payment arrangements.
  6. Disputed bills where the customer has complied with the Commission's rules on complaints.
- B. Termination of service without notice**
1. Utility service may be disconnected without advance written notice under the following conditions:
    - a. The existence of an obvious hazard to the safety or health of the consumer or the general population or the utility's personnel or facilities.
    - b. The utility has evidence of tampering or evidence of fraud.
  2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
  3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.
- C. Termination of service with notice**
1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:

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- a. Customer violation of any of the utility's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
  - b. Failure of the customer to pay a bill for utility service.
  - c. Failure to meet or maintain the utility's credit and deposit requirements.
  - d. Failure of the customer to provide the utility reasonable access to its equipment and property.
  - e. Customer breach of contract for service between the utility and customer.
  - f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
  - g. Unauthorized resale of equipment or service.
2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements**
1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  2. Such advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the telephone number where service is being rendered.
    - b. The utility rules or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer to contact the utility at a specific phone number for information regarding any deferred billing or other procedures which the utility may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.
- E. Timing of terminations with notice**
1. Each utility shall be required to give at least five days advance written notice prior to the termination date.
  2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
  3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
  4. The utility may terminate service on a temporary basis by discontinuing the customer's line access at the central office.
  5. The utility shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
  6. The terms and conditions of these rules shall apply in all circumstances except those superseded by the provisions of the high toll usage notification procedures.
- F. High toll usage monitoring/notification procedures**
1. Each telephone utility may establish a high toll usage monitoring/notification system to identify unexplained or excessive increases in customer toll usage during interim periods between the issuance of bills in accordance with the utility's established billing cycle. The intent of such a monitoring/notification system is to enable telephone utilities to identify situations where it is unlikely that the customer will be able to pay for toll services already provided as well as to prevent the accrual of additional billings when the risk of loss is increasingly evident.
  2. Each utility which establishes a high toll monitoring/notification system shall develop and operate such system and be governed by the following provisions and procedures:
    - a. Each utility shall establish a "normal" amount of toll usage by customer class and length of service. The normal amount of toll usage shall be based upon the actual average usage by the customer class.
    - b. Increases in toll usage shall not be considered unexplained or excessive until the amount of toll usage incurred between billing periods is at least two times the normal amount of monthly toll usage for that customer or customer class.
    - c. When this situation occurs, the utility shall review:
      - i. The individual customer's billing history to determine if the volume of toll usage should be considered excessive for that particular customer
      - ii. Prior payment history
      - iii. Amount of customer deposit held, if any
      - iv. Length of customer service to assess the ability of the customer to pay such toll charges according to the payment terms of the utility when a normal billing is rendered.
    - d. If the review of the customer's previous billing and payment history indicates it is unlikely that the customer shall be able to pay such bill, the utility may contact the customer to make inquiries concerning the abnormal usage. If the explanation is not satisfactory, the utility may require security and/or payment of charges on the account to continue service.
    - e. The utility may terminate service provided the customer is given 48 hours advance notice and the customer makes no further attempt to secure and or pay the account in order to continue service.
    - f. The 48-hour notification rule shall be waived and service may be terminated immediately in those situations where intentional customer abuse of toll usage is evident.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

**R14-2-510. Administrative and Hearing Requirements**

- A. Customer service complaints**
1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.

2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
  3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
  4. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
    - a. Name and address of complainant
    - b. Date and nature of the complaint
    - c. Disposition of the complaint
    - d. A copy of any correspondence between the utility, the customer, and/or the Commission.
  5. This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.
- B. Customer bill disputes**
1. Any utility customer who disputes a portion of a bill rendered for utility service shall pay the undisputed portion of the bill and notify the utility's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill.
  2. Upon receipt of the customer notice of dispute, the utility shall:
    - a. Notify the customer within five working days of the receipt of a written dispute notice.
    - b. Initiate a prompt investigation as to the source of the dispute.
    - c. Withhold disconnection of service until the investigation is completed and the customer is informed of the results.
  3. Once the customer has received the results of the utility's investigation, the customer shall submit payment within five working days to the utility for any disputed amounts. Failure to make full payment shall be grounds for termination of service. Prior to termination inform the customer of his right of appeal to the Commission.
- C. Commission resolution of service and/or bill disputes**
1. In the event a customer and utility cannot resolve a service and/or bill dispute, the customer shall file a written statement of dissatisfaction with the Commission; by submitting such notice to the Commission, the customer shall be deemed to have filed an informal complaint against the utility.
  2. Within 30 days of the receipt of a written statement of customer dissatisfaction related to a service or bill dispute, a designated representative of the Commission shall endeavor to resolve the dispute by correspondence and/or telephone with the utility and the customer. If resolution of the dispute is not achieved within 20 days of the Commission representative's initial effort, the Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:
    - a. Each party may be represented by legal counsel, if desired.
    - b. All such informal hearings may be recorded or held in the presence of a stenographer.
    - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties.
  3. The utility may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Commission.
- D. Notice by utility of responsible officer or agent**
1. Each utility shall file with the Commission a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a utility in Arizona.
  2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.
- E. Time-frames for processing applications for Certificates of Convenience and Necessity**
1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
  2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
  3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
  4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 30 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-frame: 180 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- F. Filing of rules and regulations**

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1. Each utility shall file with the Commission tariffs which are in compliance with the rules and regulations promulgated by the Arizona Corporation Commission within 120 days of the adoption of such rules by the Commission.
2. Any proposed changes to the tariffs on file with the Commission shall be accompanied by a statement of justification supporting the proposed change in tariff.
3. Any proposed change to the tariffs on file with the Commission shall not be effective until reviewed and approved by the Commission, except as provided for by law.

**G. Accounts and records**

1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
2. Each utility shall maintain its books and records in conformity with the Uniform Systems of Accounts for Class A, B, C and D Telephone Utilities as adopted and amended by the Federal Communications Commission or, for telephone cooperatives, as promulgated by the Rural Electrification Administration.
3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
6. All utilities shall file with the Commission a copy of all annual reports required by the Federal Communications Commission and in addition, for telephone cooperatives, annual reports required by the Rural Electrification Administration.

**H. Maps.** All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.**I. Variations, exemptions of Commission rules and regulations.** Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 5) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.**J. Prior agreements.** The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such

contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4).

**ARTICLE 6. SEWER UTILITIES****R14-2-601. Definitions**

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "Advance in aid of construction." Funds provided to the utility by the applicant under the terms of a collection main extension agreement the value of which may be refundable.
2. "Applicant." A person requesting the utility to supply sewer service.
3. "Application." A request to the utility for sewer service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission." The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month." The period between any two regular billings -- approximately 30 day interval.
6. "Billing period." The time interval between two consecutive billings.
7. "Collection main." A sewer main of the utility from which service collection lines are extended to customers.
8. "Commodity charge." The unit of cost per billed discharge as set forth in the utility's tariffs.
9. "Contributions in aid of construction." Funds provided to the utility by the applicant under the terms of a collection main extension agreement and/or service connection tariff the value of which are not refundable.
10. "Customer." The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in his name regardless of the identity of the actual user of the service.
11. "Customer charge." The amount the customer must pay the utility for the availability of sewer service, excluding any amount of discharged, as specified in the utility's tariffs.
12. "Day." Calendar day.
13. "Minimum charge." The amount the customer must pay for the availability of sewer service, including an amount of discharge, as specified in the utility's tariffs.
14. "Permanent customer." A customer who is a tenant or owner of a service location who applies for and receives sewer service.
15. "Permanent service." Service which, in the opinion of the utility, is of a permanent and established character. The use of sewer service may be continuous, intermittent, or seasonal in nature.
16. "Person." Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
17. "Point of collection." The point where pipes owned, leased, or under license by a customer connect to the utility's collection system.
18. "Premises." All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.

19. "Residential subdivision development." Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
  20. "Residential use." Service to customers discharging sewage for domestic purposes.
  21. "Rules." The regulations set forth in the tariffs which apply to the provision of sewage service.
  22. "Service area." The territory in which the utility has been granted a Certificate of Convenience and Necessity and is authorized by the Commission to provide sewer service.
  23. "Service establishment charge." The charge as specified in the utility's Schedule of Rates which covers the cost of establishing a new account.
  24. "Service line." A sewer line that transports sewage from a customer's point of collection to a common source (normally a collection main) of collection of the utility's.
  25. "Service reconnect charge." The charge as specified in the utility's tariffs which must be paid by the customer prior to reconnection of sewer service each time the sewer service is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the utility's fixed rules.
  26. "Service reestablishment charge." A charge as specified in the utility's tariffs for service at the same location where the same customer had ordered a service disconnection within the preceding 12-month period.
  27. "Sewage." Ground garbage, human or animal excretions, and other domestic, commercial or industrial waste normally disposed of through a sanitary sewer system.
  28. "Single family dwelling." A house, an apartment, a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a permanent home.
  29. "Tariffs." The documents filed with the Commission which list the services and products offered by the sewer company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
  30. "Temporary service." Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the utility, is for operations of a speculative character is also considered temporary service.
  31. "Utility." The public service corporation providing sewer service to the public in compliance with state law.
4. "Contiguous" means in actual contact, touching, such as by sharing a common border.
  5. "Extension area" means the geographic area that an applicant is requesting to have added to the applicant's existing CC&N service area.
- B. Application for a new CC&N or extension of a CC&N**
1. Any person who desires to construct sewer utility facilities or to operate as a sewer utility shall, prior to commencing construction of utility facilities or operations, file with the Commission an application for a CC&N and obtain Commission approval.
  2. Any utility that desires to extend its CC&N service area shall file with the Commission an application for a CC&N extension.
  3. Before filing an application for a CC&N or a CC&N extension, a person shall provide written notice of the person's intention to file the application to each person who owns land within the proposed service area or extension area and who has not requested service. Each written notice to a landowner shall include, at a minimum:
    - a. The legal name, physical address, mailing address (if different), and telephone number of the intended applicant;
    - b. The approximate date by which the application will be filed;
    - c. The type of services to be provided if the application is approved;
    - d. The physical addresses and toll-free telephone numbers, in Phoenix and Tucson, for the Consumer Services Section of the Commission; and
    - e. The following information:
      - i. That the recipient is a property owner within the proposed service area or extension area;
      - ii. That if the application is granted, the intended applicant will be the exclusive provider of the specific services to the proposed service area or extension area and will be required by the Commission to provide those services under rates and charges and terms and conditions established by the Commission;
      - iii. That a CC&N does not prohibit persons from providing services only to themselves using their own facilities on their own property although other applicable laws may restrict such activity;
      - iv. That the application is available for inspection during regular business hours at the offices of the Commission and at the offices of the intended applicant;
      - v. That the Commission will hold a hearing on the application;
      - vi. That the landowner may have the right to intervene in the proceeding and may appear at the hearing and make a statement on the his or her own behalf even if the landowner does not intervene;
      - vii. That the landowner may contact the Commission for the date and time of the hearing and for information on intervention;
      - viii. That the landowner may not receive any further notice of the application proceeding unless requested; and
      - ix. That the landowner may contact the intended applicant or the Consumer Services Section of the Commission if the landowner has any questions or concerns about the application, has any

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

#### **R14-2-602. Certificates of Convenience and Necessity for Sewer Utilities; Extensions of Certificates of Convenience and Necessity for Sewer Utilities; Abandonment, Sale, Lease, Transfer, or Disposal of a Sewer Utility; Discontinuance or Abandonment of Sewer Utility Service**

**A.** In this Section, unless otherwise specified:

1. "Applicant" means a person who submits an application to obtain a Certificate of Convenience and Necessity to construct sewer utility facilities or operate as a sewer utility or to extend the service area under an existing Certificate of Convenience and Necessity held by the person.
2. "CC&N" means Certificate of Convenience and Necessity.
3. "Commission" means the Arizona Corporation Commission.



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- objections to approval of the application, or wishes to make a statement in support of the application.
4. Within 10 days after filing an application for a CC&N or a CC&N extension, an applicant shall provide written notice of the application to the municipal manager or administrator of each municipality with corporate limits that overlap with or are within five miles of the proposed service area or extension area. Each written notice shall include, at a minimum:
    - a. The applicant's legal name, mailing address, and telephone number;
    - b. The date the application was filed;
    - c. The type of services to be provided if the application is approved;
    - d. A description of the requested service area or extension area, expressed in terms of cadastral (quarter section) or metes and bound survey;
    - e. The Commission docket number assigned to the application; and
    - f. Instructions on how to obtain a copy of the application.
  5. Each application for a new CC&N or CC&N extension shall be submitted in a form and number prescribed by the Commission and shall include, at a minimum, the following information:
    - a. The applicant's legal name, mailing address, and telephone number;
    - b. If the applicant will or does operate the utility under a different business name, the name under which the applicant will be doing business;
    - c. The full name, mailing address, and telephone number of a management contact for the applicant;
    - d. The full name, mailing address, and telephone number of the attorney for the applicant, if any;
    - e. The full name, mailing address, and telephone number of the operator certified by the Arizona Department of Environmental Quality who is or will be working for the applicant;
    - f. The full name, mailing address, and telephone number of the onsite manager for the applicant;
    - g. Whether the applicant is a corporation, a partnership, a limited liability company, a sole proprietor, or another specified type of legal entity;
    - h. If the applicant is a corporation, the following:
      - i. Whether the applicant is a "C" corporation, an "S" corporation, or a non-profit corporation and whether the corporation is domestic or foreign;
      - ii. A list of the full names, titles, and mailing addresses of each of the applicant's officers and directors;
      - iii. A copy of the applicant's certificate of good standing issued by the Commission's Corporations Division;
      - iv. Unless the applicant is applying for a CC&N extension, a certified copy of the applicant's articles of incorporation and by-laws; and
      - v. If the applicant is a for-profit corporation, the number of shares of stock authorized for issue and, if any stock has been issued, the number of shares issued and date of issuance;
    - i. If the applicant is a partnership, the following:
      - i. Whether the applicant is a limited partnership or a general partnership and whether the partnership is domestic or foreign;
      - ii. The full names and mailing addresses of the applicant's general partners;
      - iii. The full names, mailing addresses, and telephone numbers of the applicant's managing partners;
      - iv. Unless the applicant is applying for a CC&N extension, a copy of the applicant's articles of partnership; and
      - v. If the applicant is a foreign limited partnership, a copy of the applicant's certificate of registration filed with the Arizona Secretary of State;
    - j. If the applicant is a limited liability company, the following:
      - i. The full names and mailing addresses of the applicant's managers or, if management is reserved to the members, the applicant's members;
      - ii. Unless the applicant is applying for a CC&N extension, a copy of the applicant's articles of organization;
    - k. The legal name and mailing address of each other utility in which the applicant has an ownership interest;
    - l. A description of the requested service area or extension area, expressed in terms of cadastral (quarter section) or metes and bound survey;
    - m. The name of each county in which the requested service area or extension area is located and a description of the area's location in relation to the closest municipality, which shall be named;
    - n. A complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each sewer system and the principal components of each sewer system (e.g., collection mains, trunk lines, lift stations, treatment plants, effluent disposal areas, etc.) to allow verification of the estimated costs provided under subsection (B)(5)(p) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met;
    - o. A copy of the Aquifer Protection Permit issued by the Arizona Department of Environmental Quality for the proposed service area or extension area or, if not yet obtained, the status of the application for the Aquifer Protection Permit;
    - p. The estimated total construction cost of the proposed offsite and onsite facilities, including documentation to support the estimates, and an explanation of how the construction will be financed, such as through debt, equity, advances in aid of construction, contributions in aid of construction, or a combination thereof;
    - q. Documentation establishing the applicant's financial condition, including at least the applicant's current assets and liabilities, an income statement, the applicant's estimated revenue and expenses for the first five years following approval of the application, and the estimated value of the applicant's utility plant in service for the first five years following approval of the application;
    - r. The rates proposed to be charged for services rendered, shown in the form of a proposed tariff that complies with Commission standards;
    - s. The estimated annual operating revenues and expenses for the first five years of operation for the

- requested service area or extension area, expressed separately for residential, commercial, industrial, and irrigation services, and including a description of each assumption made to derive the estimates;
- t. A detailed description of the proposed construction timeline for facilities, with estimated starting and completion dates and, if construction is to be phased, a description of each separate phase of construction;
  - u. A copy of any requests for service from persons who own land within the proposed service area or extension area, which shall identify the applicant by name;
  - v. Maps of the proposed service area or extension area identifying:
    - i. The boundaries of the area, with the total acreage noted;
    - ii. The land ownership boundaries within the area, with the acreage of each separately owned parcel within the area noted;
    - iii. The owner of each parcel within the area;
    - iv. Any municipality corporate limits that overlap with or are within five miles of the area;
    - v. The service area of any public service corporation, municipality, or district currently providing water or wastewater service within one mile of the area, with identification of the entity providing service and each type of service being provided;
    - vi. The location within the area of any known sewer service connections that are already being provided service by the applicant;
    - vii. The location of all proposed developments within the area;
    - viii. The proposed location of each sewer system and the principal components described in subsection (B)(5)(n); and
    - ix. The location of all parcels for which a copy of a request for service has been submitted per subsection (B)(5)(u);
  - w. A copy of each notice to be sent, as required under subsection (B)(4), to a municipal manager or administrator;
  - x. A copy of each notice sent, as required under subsection (B)(3), to a landowner not requesting service;
  - y. For each landowner not requesting service, either the written response received from the landowner or, if no written response was received, a description of the actions taken by the applicant to obtain a written response;
  - z. A copy of each city, county, or state agency approval required by law to construct the proposed facilities or operate the utility within the proposed service area or extension area or, for any approval not yet obtained, the status of the applicant's application for the approval;
  - aa. The estimated number of customers to be served for each of the first five years of operation, expressed separately for residential, commercial, industrial, and irrigation customers and including documentation to support the estimates;
  - bb. A description of how water service is to be provided in the proposed service area or extension area and the name of each water service provider for the area, if any;
  - cc. A description of how effluent from the area will be reused or, if not reused, disposed of;
  - dd. If the applicant is requesting a CC&N extension:
    - i. A current compliance status report from the Arizona Department of Environmental Quality, dated no more than 30 days before the date the CC&N extension application is filed, for each wastewater system operated by the applicant, as identified by a separate Arizona Department of Environmental Quality Identification Number; and
    - ii. A wastewater flow data sheet for the wastewater system being extended by the applicant; and
  - ee. The notarized signature of the applicant.
6. Upon receiving an application under subsection (B)(5), Utilities Division staff shall review and process the application in accordance with the requirements of R14-2-610.
  7. Once Utilities Division staff determines that an application submitted under subsection (B)(5) is administratively complete, the Commission shall, as expeditiously as practicable, schedule a hearing to consider the application.
- C. Additions or extensions of service contiguous to existing CC&N service areas**
1. Except in the case of an emergency, a utility that proposes to extend service to a parcel located in a non-certificated area contiguous to its CC&N service area shall notify the Commission before the service extension occurs.
  2. Each notification required under subsection (C)(1) shall be in writing, shall be verified, and shall set forth, at a minimum:
    - a. The legal name, mailing address, and telephone number of the utility;
    - b. The number of persons to be served in the contiguous parcel;
    - c. The legal description of the contiguous parcel and the location of the structures to be served therein, in relation to the utility's CC&N service area; and
    - d. A statement that service will be extended only to a non-certificated parcel contiguous to the utility's CC&N service area.
  3. When emergency service is required to be provided to a person in a non-certificated area contiguous to a utility's CC&N service area, the utility shall notify the Commission of the service extension as soon as possible after the service extension occurs by providing written notice that includes the information required under subsection (C)(2) and describes the nature and extent of the emergency.
- D. Application for authority to abandon, sell, lease, transfer, or otherwise dispose of a utility**
1. A utility shall not abandon, sell, lease, transfer, or otherwise dispose of its facilities or operation without first obtaining authority therefor from the Commission.
  2. A utility desiring to abandon, sell, lease, transfer, or otherwise dispose of its facilities or operation shall file with the Commission an application that includes, at a minimum:
    - a. The legal name, physical address, mailing address (if different), and telephone number of the utility;
    - b. A description of the utility property proposed to be abandoned, sold, leased, transferred or otherwise disposed of;
    - c. Documentation establishing the utility's financial condition, including at least the utility's current assets and liabilities, an income statement, the utility's revenue and expenses for the most recently

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- completed 12-month accounting period, and the value of the utility's utility plant in service;
- d. The legal name, physical address, mailing address (if different), and telephone number of any proposed purchaser, lessee, transferee, or assignee;
  - e. The terms and conditions of the proposed abandonment, sale, lease, transfer, or assignment and copies of any agreement that has been or will be executed concerning the transaction;
  - f. A description of the effect that the proposed transaction will have upon the utility's services;
  - g. The method by which the proposed transaction is to be financed;
  - h. A description of the effect that the proposed transaction will have upon any other utility;
  - i. The number of customers to be affected by the proposed transaction; and
  - j. A description of the effect that the proposed transaction will have upon customers.
- E. Application for discontinuance or abandonment of utility service**
1. A utility shall not discontinue or abandon any service currently in use by the public without first obtaining authority therefor from the Commission.
  2. A utility desiring to discontinue or abandon a service shall file with the Commission an application identifying the utility; including data regarding past, present and estimated future customer use of the service; describing any plant or facility that would no longer be in use if the application were approved; and explaining why the utility desires to discontinue or abandon the service.
  3. A utility is not required to apply for Commission approval to remove individual facilities where a customer has requested service discontinuance.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4). Amended by final rulemaking at 15 A.A.R. 2066, effective January 22, 2010 (Supp. 09-4).
- R14-2-603. Establishment of service**
- A. Information from new applicants**
1. A utility may obtain the following minimum information from each new applicant for service:
    - a. Name or names of applicant(s).
    - b. Service address or location and telephone number.
    - c. Billing address or location and telephone number, if different than service address.
    - d. Address where service was provided previously.
    - e. Date applicant will be ready for service.
    - f. Indication of whether premises have been supplied with utility service previously.
    - g. Purpose for which service is to be used.
    - h. Indication of whether applicant is owner or tenant of or agent for the premises.
  2. Each utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
  3. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.
- B. Deposits**
1. A utility may require a deposit from any new applicant for service.
  2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
  3. Interest on deposits shall be calculated annually at an interest rate filed by the utility and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be 6%.
  4. Interest shall be credited to the customer's bill annually.
  5. Residential deposits shall be refunded within 30 days after:
    - a. 12 consecutive months of service without being delinquent in the payment of utility bills provided the utility may reestablish the deposit if the customer becomes delinquent in the payment of bills three or more times within a 12 consecutive month period.
    - b. Upon discontinuance of service when the customer has paid all outstanding amounts due the utility.
  6. A separate deposit may be required for each service installed.
  7. The amount of a deposit required by the utility shall be determined according to the following terms:
    - a. Residential customer deposits shall not exceed two times the average residential class bill as evidenced by the utility's most recent annual report filed with the Commission.
    - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
  8. The utility may review the customer's discharge after service has been established and adjust the deposit amount based upon the customer's actual discharge.
  9. Upon discontinuance of service, the deposit may be applied by the utility toward settlement of the customer's bill.
- C. Grounds for refusal of service.** A utility may refuse to establish service if any of the following conditions exist:
1. The applicant has an outstanding amount due for the same class of utilities services with the utility, and the applicant is unwilling to make arrangements with the utility for payment.
  2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
  3. Refusal by the applicant to provide the utility with a deposit.
  4. Customer is known to be in violation of the utility's tariffs filed with the Commission or of the Commission's rules and regulations.
  5. Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
- D. Service establishments, re-establishments or reconnect charge**
1. A utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility service.
  2. For the purpose of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and do not require construction on the part of the utility.
- E. Temporary service**
1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the esti-

mated cost of installing and removing the facilities necessary for furnishing sewer service.

2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of the utility.
4. If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's main extension rules shall apply.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-604. Minimum customer information requirements

- A. Information for residential customers
  1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
    - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of minimum discharge included in the minimum charge, where applicable.
    - b. Rate calculation, including where applicable, computations based upon seasonal or annual water usages.
  2. The utility shall to the extent practical identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.
  3. In addition, a utility shall make available upon customer request not later than 60 days from the date of request a copy of the Commission's rules and regulations governing:
    - a. Deposits
    - b. Terminations of service
    - c. Billing and collection
    - d. Complaint handling.
  4. Each utility shall inform all new customers of their rights to obtain the information specified above.
- B. Information required due to changes in tariffs
  1. Each utility shall transmit to affected customers by the most economic means available a concise summary of any change in the utility's tariffs affecting those customers.
  2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

#### R14-2-605. Service connections

- A. Priority and timing
  1. After an applicant has complied with the utility's application and deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service connection.
  2. Service connections shall be scheduled for completion within five working days of the date the customer has been accepted for service, except in those instances when the customer requests service connection beyond the five working day limitation.
  3. When the utility has made arrangements to meet with a customer for service establishment purposes and the util-

ity or the customer cannot make the appointment during the prearranged time, the utility shall reschedule the connection to the satisfaction of both parties.

4. For the purposes of this rule, establishment of service takes place only when the customer's facilities are ready and acceptable to the utility.
- B. Customer provided facilities
  1. An applicant for service shall be responsible for the installation of all plumbing up to the applicant's property line. In addition, the applicant is responsible for the proper grade or leveling of the sewer connection so that it conforms with the collection system of the utility.
  2. Funds collected for service connections may be nonrefundable contributions to the utility.
- C. Customer provided equipment safety and operation. Each customer shall be responsible for maintaining all equipment and facilities using or used for utility services located on his side of the point of collection in safe operating condition.
- D. Easements and rights-of-way
  1. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
  2. When a utility discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

#### R14-2-606. Collection main extension agreements

- A. General requirements
  1. Each utility entering into a main extension agreement shall comply with the provisions of this rule, which specifically defines the conditions governing collection main extensions.
  2. Upon request by a potential applicant for a collection main extension, the utility shall prepare, without charge, a preliminary sketch and rough estimate of the cost of installation to be paid by said applicant.
  3. Any applicant for a collection main extension requesting the utility to prepare detailed plans, specifications, or cost estimates may be required to deposit with the utility an amount equal to the estimated cost of preparation. The utility shall, upon request, make available within 90 days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed collection main extension. Where the applicant accepts the plans and the utility proceeds with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications and cost estimates.
  4. Where the utility requires an applicant to advance funds for a collection main extension, the utility shall furnish the applicant with a copy of the extension tariff of the

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- appropriate utility prior to the applicant's acceptance of the utility's extension agreement.
5. All collection main extension agreements requiring payment by the applicant shall be in writing and signed by each party before the utility commences construction.
  6. In the event the utility's actual cost of construction is different from the amount advanced by the customer, the utility shall make a refund to or collect additional funds from, the applicant within 120 days after the completion of the construction.
  7. The provisions of this rule apply only to those applicants who in the utility's judgment will be permanent customers of the utility. Applications for temporary service shall be governed by the Commission's rules concerning temporary service applications.
- B. Minimum written agreement requirements**
1. Each collection main extension agreement shall, at a minimum, include the following information:
    - a. Name and address of applicant(s)
    - b. Proposed service address or location
    - c. Description of requested service
    - d. Description and sketch of the requested main extension
    - e. A cost estimate to include materials, labor, and other costs as necessary
    - f. Payment terms
    - g. A clear and concise explanation of any refunding provisions, if appropriate
    - h. The utility's estimated start date and completion date for construction of the collection main extension
  2. Each applicant shall be provided with a copy of the written collection main extension agreement.
- C. Main extension requirements. Each main extension tariff shall include the following provisions:**
1. A maximum footage and/or equipment allowance to be provided by the utility at no charge. The maximum footage and/or equipment allowance may be differentiated by customer class.
  2. An economic feasibility analysis for those main extensions which exceed the maximum footage and/or equipment allowance. Such economic feasibility analysis shall consider the incremental revenues and cost associated with the main extension. In those instances where the requested main extension does not meet the economic feasibility criteria established by the utility, the utility may require the customer to provide funds to the utility, which will make the main extension economically feasible. The methodology employed by the utility in determining economic feasibility shall be applied uniformly and consistently to each applicant requiring a main extension.
  3. The timing and methodology by which the utility will refund any advances in aid of construction as additional customers are served off the main extension. The customer may request an annual survey to determine if additional customers have been connected to and are using service from the main extension. In no case shall the amount of the refund exceed the amount originally advanced.
  4. All advances in aid of construction shall be noninterest bearing.
  5. If after five years from the utility's receipt of the advance, the advance has not been totally refunded, the advance shall be considered a contribution in aid of construction and shall no longer be refundable.
- D. Residential subdivision development and permanent mobile home parks. Each utility shall submit as a part of its main extension tariff separate provisions for residential subdivision developments and permanent mobile home parks.**
- E. Ownership of facilities. Any facilities installed hereunder shall be the sole property of the utility.**
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- R14-2-607. Provision of service**
- A. Utility responsibility**
1. Each utility shall be responsible for the safe conduct and handling of the sewage from the customer's point of collection.
  2. The utility may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.
- B. Customer responsibility**
1. Each customer shall be responsible for maintaining all facilities on the customer's premises in safe operating condition and in accordance with the rules of the state Department of Health.
  2. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying utility service to that customer.
- C. Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:**
1. Any cause against which the utility could not have reasonably foreseen or made provision for, i.e., force majeure
  2. Intentional service interruptions to make repairs or perform routine maintenance
  3. Any temporary overloading of the utility's collection or treatment facilities.
- D. Service interruption**
1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
  2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
  3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
  4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.
  5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be

reported within four hours after the responsible representative of the utility becomes aware of said interruption by telephone to the Commission and followed by a written report to the Commission.

- E.** Construction standards. The design, construction and operation of all sewer plants shall conform to the requirements of the Arizona Department of Health Services or its successors and any other governmental agency having jurisdiction thereof. Phase construction is acceptable.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-608. Billing and collection**

- A.** Frequency. Each utility shall bill monthly for services rendered.
- B.** Minimum bill information. Each bill for residential service will contain the following minimum information:
1. Billed discharge, where applicable
  2. Utility telephone number
  3. Amount due and due date
  4. Customer's name
  5. Service account number, if available
  6. Past due amount, where appropriate
  7. Adjustment factor, where applicable
  8. Other approved tariff charges.
- C.** Billing terms
1. All bills for utility services are due and payable no later than 10 days from the date the bill is rendered. Any payment not received within this time-frame shall be considered past due.
  2. For purposes of this rule, the date a bill is rendered may be evidenced by:
    - a. The postmark date
    - b. The mailing date.
  3. All past due bills for utility services are due and payable within 10 days. Any payment not received within this time-frame shall be considered delinquent.
  4. All delinquent bills for which payment has not been received within five days shall be subject to the provisions of the utility's termination procedures.
  5. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.
- D.** Applicable tariffs, prepayment, failure to receive, commencement date, taxes
1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
  2. Each utility shall make provisions for advance payment for sewer services.
  3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
  4. Charges for service commence when the service is installed and connection made, whether used or not.
  5. In addition to the collection of regular rates, each utility may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposition based on the gross revenues received by the utility.
- E.** Insufficient funds (NSF) checks
1. A utility shall be allowed to recover a fee, as approved by the Commission for each instance where a customer tenders payment for utility service with an insufficient funds check.

2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.

3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.

**F.** Late payment penalty

1. Each utility may include in its tariffs a late payment penalty tariff which may be applied to delinquent bills.
2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the utility.
3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1-1/2% of the delinquent bill.

**Historical Note**

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

**R14-2-609. Termination of service**

- A.** Nonpermissible reasons to disconnect service. A utility may not disconnect service for any of the reasons stated below:
1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
  3. Nonpayment of a bill related to another class of service.
  4. Failure to pay for a bill to correct a previous underbilling due to a billing error if the customer agrees to pay over a reasonable period of time.
  5. Disputed bills where the customer has complied with the Commission's rules and regulations.
- B.** Termination of service without notice
1. Utility service may be disconnected without advance written notice under the following conditions:
    - a. The existence of an obvious hazard to the safety or health of the consumer or the general population.
    - b. The utility has evidence of fraud.
  2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
  3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.
- C.** Termination of service with notice
1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:
    - a. Customer violation of any of the Commission's rules.
    - b. Failure of the customer to pay a delinquent bill for utility service.
    - c. Failure to meet or maintain the utility's credit and deposit requirements.
    - d. Failure of the customer to provide the utility reasonable access to its equipment and property.
    - e. Customer breach of a written contract for service between the utility and customer.

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- f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements**
1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  2. Such advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the address where service is being rendered.
    - b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer that the utility's stated reason for the termination of services may be disputed by contacting the utility at a specific address of phone number, advising the utility of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the utility in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the utility shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.
- E. Timing of terminations with notice**
1. Each utility shall be required to give at least five days' advance written notice prior to the termination date.
  2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
  3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
- F. Landlord/tenant rule.** In situations where service is rendered at an address different from the mailing address of the bill or where the utility knows that a landlord/tenant relationship exists and that the landlord is the customer of the utility, and where the landlord as a customer would otherwise be subject to disconnection of service, the utility may not disconnect service until the following actions have been taken:
1. Where it is feasible to so provide service, the utility, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the utility may disconnect service pursuant to the rules.
  2. A utility shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.
- Historical Note**
- Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).
- Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*
- R14-2-610. Administrative and Hearing Requirements**
- A. Customer service complaints**
1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
  2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
  3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
  4. The utility shall inform the customer of his right of appeal to the Commission should the results of the utility's investigation prove unsatisfactory to the customer.
  5. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
    - a. Name and address of the complainant
    - b. Date and nature of the complaint
    - c. Disposition of the complaint
    - d. A copy of any correspondence between the utility, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.
- B. Notice by utility of responsible officer or agent**
1. Each utility shall file with the Commission a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a utility in Arizona.
  2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.
- C. Time-frames for processing applications for Certificates of Convenience and Necessity**
1. This rule prescribes time-frames for the processing of any Application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
  2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administra-

- tively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
  4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 30 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-frame: 180 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- D. Accounts and records**
1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
  2. Each utility shall maintain its books and records in conformity with the NARUC Uniform Systems of Accounts for Class A, B, C and D Sewer Utilities.
  3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
  4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
  5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
- E. Maps.** All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.
- F. Variations, exemptions of Commission rules and regulations.** Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 6) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such applica-

tion will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.

- G. Prior agreements.** The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4).

### ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

#### R14-2-701. Definitions

In this Article, unless otherwise specified:

1. “Acknowledgment” means a Commission determination, under R14-2-704, that a plan meets the basic requirements of this Article.
2. “Affiliated” means related through ownership of voting securities, through contract, or otherwise in such a manner that one entity directly or indirectly controls another, is directly or indirectly controlled by another, or is under direct or indirect common control with another entity.
3. “Benchmark” means to calibrate against a known set of values or standards.
4. “Book life” means the expected time period over which a power supply source will be available for use by a load-serving entity.
5. “Btu” means British thermal unit.
6. “Capacity” means the amount of electric power, measured in megawatts, that a power source is rated to provide.
7. “Capital costs” means the construction and installation cost of facilities, including land, land rights, structures, and equipment.
8. “Coincident peak” means the maximum of the sum of two or more demands that occur in the same demand interval, which demand interval may be established on an annual, monthly, or hourly basis.
9. “Customer class” means a subset of customers categorized according to similar characteristics, such as amount of energy consumed; amount of demand placed on the energy supply system at the system peak; hourly, daily, or seasonal load pattern; primary type of activity engaged in by the customer, including residential, commercial, industrial, agricultural, and governmental; and location.
10. “Decommissioning” means the process of safely and economically removing a generating unit from service.
11. “Demand management” means beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time electricity usage.
12. “Derating” means a reduction in a generating unit’s capacity.
13. “Discount rate” means the interest rate used to calculate the present value of a cost or other economic variable.
14. “Docket Control” means the office of the Commission that receives all official filings for entry into the Commission’s public electronic docketing system.
15. “Emergency” means an unforeseen and unforeseeable condition that:



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- a. Does not arise from the load-serving entity's failure to engage in good utility practices,
  - b. Is temporary in nature, and
  - c. Threatens reliability or poses another significant risk to the system.
16. "End use" means the final application of electric energy, for activities such as, but not limited to, heating, cooling, running an appliance or motor, an industrial process, or lighting.
  17. "Energy losses" means the quantity of electric energy generated or purchased that is not available for sale to end users, for resale, or for use by the load-serving entity.
  18. "Escalation" means the change in costs due to inflation, changes in manufacturing processes, changes in availability of labor or materials, or other factors.
  19. "Generating unit" means a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy, such as a turbine and generator or a set of photovoltaic cells.
  20. "Heat rate" means a measure of generating station thermal efficiency expressed in Btus per net kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt-hours of electricity generated.
  21. "Independent monitor" means a company or consultant that is not affiliated with a load-serving entity and that is selected to oversee the conduct of a competitive procurement process under R14-2-706.
  22. "Integration" means methods by which energy produced by intermittent resources can be incorporated into the electric grid.
  23. "Intermittent resources" means electric power generation for which the energy production varies in response to naturally occurring processes like wind or solar intensity.
  24. "Interruptible power" means power made available under an agreement that permits curtailment or cessation of delivery by the supplier.
  25. "In-service date" means the date a power supply source becomes available for use by a load-serving entity.
  26. "Load-serving entity" means a public service corporation that provides electricity generation service and operates or owns, in whole or in part, a generating facility or facilities with capacity of at least 50 megawatts combined.
  27. "Long-term" means having a duration of three or more years.
  28. "Maintenance" means the repair of generation, transmission, distribution, administrative, and general facilities; replacement of minor items; and installation of materials to preserve the efficiency and working condition of facilities.
  29. "Mothballing" means the temporary removal of a generating unit from active service and accompanying storage activities.
  30. "Operate" means to manage or otherwise be responsible for the production of electricity by a generating facility, whether that facility is owned by the operator, in whole or in part, or by another entity.
  31. "Participation rate" means the proportion of customers who take part in a specific program.
  32. "Probabilistic analysis" means a systematic evaluation of the effect, on costs, reliability, or other measures of performance, of possible events affecting factors that influence performance, considering the likelihood that the events will occur.
  33. "Production cost" means the variable operating costs and maintenance costs of producing electricity through generation, including fuel cost, plus the cost of purchases of power sufficient to meet demand.
  34. "Refurbish" means to make major changes, more extensive than maintenance or repair, in the power production, transmission, or distribution characteristics of a component of the power supply system, such as by changing the fuels that can be used in a generating unit or changing the capacity of a generating unit.
  35. "Reliability" means a measure of the ability of a load-serving entity's generation, transmission, or distribution system to provide power without failures, measured to reflect the portion of time that a system is unable to meet demand or the kilowatt-hours of demand that could not be supplied.
  36. "Renewable energy resource" means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.
  37. "Reserve requirements" means the capacity that a load-serving entity must maintain in excess of its peak load to provide for scheduled maintenance, forced outages, unforeseen loads, emergencies, system operating requirements, and reserve sharing arrangements.
  38. "Reserve sharing arrangement" means an agreement between two or more load-serving entities to provide backup capacity.
  39. "Resource planning" means integrated supply and demand analyses completed as described in this Article.
  40. "RFP" means request for proposals.
  41. "Self generation" means the production of electricity by an end user.
  42. "Sensitivity analysis" means a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors that influence performance.
  43. "Short-term" means having a duration of less than three years.
  44. "Spinning reserve" means the capacity a load-serving entity must maintain connected to the system and ready to deliver power promptly in the event of an unexpected loss of generation source, expressed as a percentage of peak load, a percentage of the largest generating unit, or in fixed megawatts.
  45. "Staff" means individuals working for the Commission's Utilities Division, whether as employees or through contract.
  46. "Third-party independent energy broker" means an entity, such as Prebon Energy or Tradition Financial Services, that facilitates an energy transaction between separate parties without taking title to the transaction.
  47. "Third-party online trading system" means a computer-based marketplace for commodity exchanges provided by an entity that is not affiliated with the load-serving entity, such as the Intercontinental Exchange, California Independent System Operator, or New York Mercantile Exchange.
  48. "Total cost" means all capital, operating, maintenance, fuel, and decommissioning costs, plus the costs associated with mitigating any adverse environmental effects, incurred by end users, load-serving entities, or others, in the provision or conservation of electric energy services.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).  
Amended by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**R14-2-702. Applicability**

- A. This Article applies to each load-serving entity, whether the power generated is for sale to end users or is for resale.
- B. An electricity public service corporation that becomes a load-serving entity by increasing its generating capacity to at least 50 megawatts combined shall provide written notice to the Commission within 30 days after the increase and shall comply with the filing requirements in this Article within two years after the notice is filed.
- C. The Commission may, by Order, exempt a load-serving entity from complying with any provision in this Article, or the Article as a whole, upon determining that:
  - 1. The burden of compliance with the provision, or the Article as a whole, exceeds the potential benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts that would result from the load-serving entity's compliance with the provision or Article; and
  - 2. The public interest will be served by the exemption.
- D. A load-serving entity that desires an exemption shall submit to Docket Control an application that includes, at a minimum:
  - 1. The reasons why the burden of complying with the Article, or the specific provision in the Article for which exemption is requested, exceeds the potential benefits to customers that would result from the load-serving entity's compliance with the provision or Article;
  - 2. Data supporting the load-serving entity's assertions as to the burden of compliance and the potential benefits to customers that would result from compliance; and
  - 3. The reasons why the public interest would be served by the requested exemption.
- E. A load-serving entity shall file with Docket Control, within 120 days after the effective date of these rules, the documents that would have been due on April 1, 2010, under R14-2-703(C), (D), (E), (F), and (H) had the revisions to those subsections been effective at that time.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).

Amended by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**R14-2-703. Load-serving Entity Reporting Requirements**

- A. A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of demand-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:
  - 1. Hourly demand for the previous calendar year, disaggregated by:
    - a. Sales to end users;
    - b. Sales for resale;
    - c. Energy losses; and
    - d. Other disposition of energy, such as energy furnished without charge and energy used by the load-serving entity;
  - 2. Coincident peak demand (megawatts) and energy consumption (megawatt-hours) by month for the previous 10 years, disaggregated by customer class;
  - 3. Number of customers by customer class for each of the previous 10 years; and
  - 4. Reduction in load (kilowatt and kilowatt-hours) in the previous calendar year due to existing demand management measures, by type of demand management measure.
- B. A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of supply-side data, including for each item for which no record is

maintained the load-serving entity's best estimate and a full description of how the estimate was made:

- 1. For each generating unit and purchased power contract for the previous calendar year:
    - a. In-service date and book life or contract period;
    - b. Type of generating unit or contract;
    - c. The load-serving entity's share of the generating unit's capacity, or of capacity under the contract, in megawatts;
    - d. Maximum generating unit or contract capacity, by hour, day, or month, if such capacity varies during the year;
    - e. Annual capacity factor (generating units only);
    - f. Average heat rate of generating units and, if available, heat rates at selected output levels;
    - g. Average fuel cost for generating units, in dollars per million Btu for each type of fuel;
    - h. Other variable operating and maintenance costs for generating units, in dollars per megawatt hour;
    - i. Purchased power energy costs for long-term contracts, in dollars per megawatt-hour;
    - j. Fixed operating and maintenance costs of generating units, in dollars per megawatt;
    - k. Demand charges for purchased power;
    - l. Fuel type for each generating unit;
    - m. Minimum capacity at which the generating unit would be run or power must be purchased;
    - n. Whether, under standard operating procedures, the generating unit must be run if it is available to run;
    - o. Description of each generating unit as base load, intermediate, or peaking;
    - p. Environmental impacts, including air emission quantities (in metric tons or pounds) and rates (in quantities per megawatt-hour) for carbon dioxide, nitrogen oxides, sulfur dioxide, mercury, particulates, and other air emissions subject to current or expected future environmental regulation;
    - q. Water consumption quantities and rates; and
    - r. Tons of coal ash produced per generating unit;
  - 2. For the power supply system for the previous calendar year:
    - a. A description of generating unit commitment procedures;
    - b. Production cost;
    - c. Reserve requirements;
    - d. Spinning reserve;
    - e. Reliability of generating, transmission, and distribution systems;
    - f. Purchase and sale prices, averaged by month, for the aggregate of all purchases and sales related to short-term contracts; and
    - g. Energy losses;
  - 3. The level of self generation in the load-serving entity's service area for the previous calendar year; and
  - 4. An explanation of any resource procurement processes used by the load-serving entity during the previous calendar year that did not include use of an RFP, including the exception under which the process was used.
- C. A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following items of load data and analyses, which may include a reference to the last filing made under this subsection for each item for which there has been no change in forecast since the last filing:
    - 1. Fifteen-year forecast of system coincident peak load (megawatts) and energy consumption (megawatt-hours) by month and year, expressed separately for

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- residential, commercial, industrial, and other customer classes; for interruptible power; for resale; and for energy losses;
2. Disaggregation of the load forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component assuming the change in load due to additional forecasted demand management measures; and
  3. Documentation of all sources of data, analyses, methods, and assumptions used in making the load forecasts, including a description of how the forecasts were benchmarked and justifications for selecting the methods and assumptions used.
- D.** A load-serving entity shall, by April 1 of each even year, file with Docket Control the following prospective analyses and plans, which shall compare a wide range of resource options and take into consideration expected duty cycles, cost projections, other analyses required under this Section, environmental impacts, and water consumption and may include a reference to the last filing made under this subsection for each item for which there has been no change since the last filing:
1. A 15-year resource plan, providing for each year:
    - a. Projected data for each of the items listed in subsection (B)(1), for each generating unit and purchased power source, including each generating unit that is expected to be new or refurbished during the period, which shall be designated as new or refurbished, as applicable, for the year of purchase or the period of refurbishment;
    - b. Projected data for each of the items listed in subsection (B)(2), for the power supply system;
    - c. The capital cost, construction time, and construction spending schedule for each generating unit expected to be new or refurbished during the period;
    - d. The escalation levels assumed for each component of cost, such as, but not limited to, operating and maintenance, environmental compliance, system integration, backup capacity, and transmission delivery, for each generating unit and purchased power source;
    - e. If discontinuation, decommissioning, or mothballing of any power source or permanent derating of any generating facility is expected:
      - i. Identification of each power source or generating unit involved;
      - ii. The costs and spending schedule for each discontinuation, decommissioning, mothballing, or derating; and
      - iii. The reasons for each discontinuation, decommissioning, mothballing, or derating;
    - f. The capital costs and operating and maintenance costs of all new or refurbished transmission and distribution facilities expected during the 15-year period;
    - g. An explanation of the need for and purpose of all expected new or refurbished transmission and distribution facilities, which explanation shall incorporate the load-serving entity's most recent transmission plan filed under A.R.S. § 40-360.02(A) and any relevant provisions of the Commission's most recent Biennial Transmission Assessment decision regarding the adequacy of transmission facilities in Arizona; and
  - h. Cost analyses and cost projections, including the cost of compliance with existing and expected environmental regulations;
  2. Documentation of the data, assumptions, and methods or models used to forecast production costs and power production for the 15-year resource plan, including the method by which the forecast was benchmarked;
  3. A description of:
    - a. Each potential power source that was rejected;
    - b. The capital costs, operating costs, and maintenance costs of each rejected source; and
    - c. The reasons for rejecting each source;
  4. A 15-year forecast of self generation by customers of the load-serving entity, in terms of annual peak production (megawatts) and annual energy production (megawatt-hours);
  5. Disaggregation of the forecast of subsection (D)(4) into two components, one reflecting the self generation projected if no additional efforts are made to encourage self generation, and one reflecting the self generation projected to result from the load-serving entity's institution of additional forecasted self generation measures;
  6. A 15-year forecast of the annual capital costs and operating and maintenance costs of the self generation identified under subsections (D)(4) and (5);
  7. Documentation of the analysis of the self generation under subsections (D)(4) through (6);
  8. A plan that considers using a wide range of resources and promotes fuel and technology diversity within its portfolio;
  9. A calculation of the benefits of generation using renewable energy resources;
  10. A plan that factors in the delivered cost of all resource options, including costs associated with environmental compliance, system integration, backup capacity, and transmission delivery;
  11. Analysis of integration costs for intermittent resources;
  12. A plan to increase the efficiency of the load-serving entity's generation using fossil fuel;
  13. Data to support technology choices for supply-side resources;
  14. A description of the demand management programs or measures included in the 15-year resource plan, including for each demand management program or measure:
    - a. How and when the program or measure will be implemented;
    - b. The projected participation level by customer class for the program or measure;
    - c. The expected change in peak demand and energy consumption resulting from the program or measure;
    - d. The expected reductions in environmental impacts, including air emissions, solid waste, and water consumption, attributable to the program or measure;
    - e. The expected societal benefits, societal costs, and cost-effectiveness of the program or measure;
    - f. The expected life of the measure; and
    - g. The capital costs, operating costs, and maintenance costs of the measure, and the program costs;
  15. For each demand management measure that was considered but rejected:
    - a. A description of the measure;
    - b. The estimated change in peak demand and energy consumption from the measure;
    - c. The estimated cost-effectiveness of the measure;
    - d. The capital costs, operating costs, and maintenance costs of the measure, and the program costs; and

- e. The reasons for rejecting the measure;
  - 16. Analysis of future fuel supplies that are part of the resource plan; and
  - 17. A plan for reducing environmental impacts related to air emissions, solid waste, and other environmental factors, and for reducing water consumption.
- E.** A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following analyses and plan:
- 1. Analyses to identify and assess errors, risks, and uncertainties in the following, completed using methods such as sensitivity analysis and probabilistic analysis:
    - a. Demand forecasts;
    - b. The costs of demand management measures and power supply;
    - c. The availability of sources of power;
    - d. The costs of compliance with existing and expected environmental regulations;
    - e. Any analysis by the load-serving entity in anticipation of potential new or enhanced environmental regulations;
    - f. Changes in fuel prices and availability;
    - g. Construction costs, capital costs, and operating costs; and
    - h. Other factors the load-serving entity wishes to consider;
  - 2. A description and analysis of available means for managing the errors, risks, and uncertainties identified and analyzed in subsection (E)(1), such as obtaining additional information, limiting risk exposure, using incentives, creating additional options, incorporating flexibility, and participating in regional generation and transmission projects; and
  - 3. A plan to manage the errors, risks, and uncertainties identified and analyzed in subsection (E)(1).

- F.** A load-serving entity shall, by April 1 of each even year, file with Docket Control a 15-year resource plan that:
- 1. Selects a portfolio of resources based upon comprehensive consideration of a wide range of supply- and demand-side options;
  - 2. Will result in the load-serving entity’s reliably serving the demand for electric energy services;
  - 3. Will address the adverse environmental impacts of power production;
  - 4. Will include renewable energy resources to meet or exceed the greater of the Annual Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail kWh sold by the load-serving entity:

| Calendar Year | Percentage of Retail kWh Sold During Calendar Year |
|---------------|--|
| 2010          | 2.5%   |
| 2011          | 3.0%   |
| 2012          | 3.5%   |
| 2013          | 4.0%   |
| 2014          | 4.5%   |
| 2015          | 5.0%   |
| 2016          | 6.0%   |
| 2017          | 7.0%   |
| 2018          | 8.0%   |
| 2019          | 9.0%   |
| 2020          | 10.0%  |
| 2021          | 11.0%  |

|            |       |
|------------|-------|
| 2022       | 12.0% |
| 2023       | 13.0% |
| 2024       | 14.0% |
| after 2024 | 15.0% |

- 5. Will include distributed generation energy resources to meet or exceed the greater of the Distributed Renewable Energy Requirement in R14-2-1805 or the following annual percentages as applied to the load-serving entity’s Annual Renewable Energy Requirement:
 

|            |     |
|------------|-----|
| 2007       | 5%  |
| 2008       | 10% |
| 2009       | 15% |
| 2010       | 20% |
| 2011       | 25% |
| After 2011 | 30% |
  - 6. Will address energy efficiency so as to meet any requirements set in rule by the Commission or in an order of the Commission;
  - 7. Will effectively manage the uncertainty and risks associated with costs, environmental impacts, load forecasts, and other factors;
  - 8. Will achieve a reasonable long-term total cost, taking into consideration the objectives set forth in subsections (F)(2) through (7) and the uncertainty of future costs; and
  - 9. Contains all of the following:
    - a. A complete description and documentation of the plan, including supply and demand conditions, availability of transmission, costs, and discount rates utilized;
    - b. A comprehensive, self-explanatory load and resources table summarizing the plan;
    - c. A brief executive summary;
    - d. An index to indicate where the responses to each filing requirement of these rules can be found; and
    - e. Definitions of the terms used in the plan.
- G.** A load-serving entity shall, by April 1 of each odd year, file with Docket Control a work plan that includes:
- 1. An outline of the contents of the resource plan the load-serving entity is developing to be filed the following year as required under subsection (F);
  - 2. The load-serving entity’s method for assessing potential resources;
  - 3. The sources of the load-serving entity’s current assumptions; and
  - 4. An outline of the timing and extent of public participation and advisory group meetings the load-serving entity intends to hold before completing and filing the resource plan.
- H.** With its resource plan, a load-serving entity shall include an action plan, based on the results of the resource planning process, that:
- 1. Includes a summary of actions to be taken on future resource acquisitions;
  - 2. Includes details on resource types, resources capacity, and resource timing; and
  - 3. Covers the three-year period following the Commission’s acknowledgment of the resource plan.
- I.** A load-serving entity or interested party may provide, for the Commission’s consideration, analyses and supporting data pertaining to environmental impacts associated with the generation or delivery of electricity, which may include monetized estimates of environmental impacts that are not included as

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costs for compliance. Values or factors for compliance costs, environmental impacts, or monetization of environmental impacts may be developed and reviewed by the Commission in other proceedings or stakeholder workshops.

- J. If a load-serving entity's submission does not contain sufficient information to allow Staff to analyze the submission fully for compliance with this Article, Staff shall request additional information from the load-serving entity, including the data used in the load-serving entity's analyses.
- K. Staff may request that a load-serving entity complete additional analyses to improve specified components of the load-serving entity's submissions.
- L. If a load-serving entity believes that a data-reporting requirement may result in disclosure of confidential business data or confidential electricity infrastructure information, the load-serving entity may submit to Staff a request that the data be submitted to Staff under a confidentiality agreement, which request shall include an explanation justifying the confidential treatment of the data.
- M. Data protected by a confidentiality agreement shall not be submitted to Docket Control and will not be open to public inspection or otherwise made public except upon an order of the Commission entered after written notice to the load-serving entity.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).  
Amended by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**R14-2-704. Commission Review of Load-serving Entity Resource Plans**

- A. By October 1 of each even year, Staff shall file a report that contains its analysis and conclusions regarding its statewide review and assessments of the load-serving entities' filings made under R14-2-703(C), (D), (E), (F), and (H).
- B. By February 1 of each odd year, the Commission shall issue an order acknowledging a load-serving entity's resource plan or issue an order stating the reasons for not acknowledging the resource plan. The Commission shall order an acknowledgment of a load-serving entity's resource plan, with or without amendment, if the Commission determines that the resource plan, as amended if applicable, complies with the requirements of this Article and that the load-serving entity's resource plan is reasonable and in the public interest, based on the information available to the Commission at the time and considering the following factors:
  1. The total cost of electric energy services;
  2. The degree to which the factors that affect demand, including demand management, have been taken into account;
  3. The degree to which supply alternatives, such as self generation, have been taken into account;
  4. Uncertainty in demand and supply analyses, forecasts, and plans, and whether plans are sufficiently flexible to enable the load-serving entity to respond to unforeseen changes in supply and demand factors;
  5. The reliability of power supplies, including fuel diversity and non-cost considerations;
  6. The reliability of the transmission grid;
  7. The environmental impacts of resource choices and alternatives;
  8. The degree to which the load-serving entity considered all relevant resources, risks, and uncertainties;
  9. The degree to which the load-serving entity's plan for future resources is in the best interest of its customers;

10. The best combination of expected costs and associated risks for the load-serving entity and its customers; and
  11. The degree to which the load-serving entity's resource plan allows for coordinated efforts with other load-serving entities.
- C. The Commission may hold a hearing or workshop regarding a load-serving entity's resource plan. If the Commission holds such a hearing or workshop, the Commission may extend the February 1 deadline for the Commission to issue an order regarding acknowledgment under subsection (B).
  - D. While no particular future ratemaking treatment is implied by or shall be inferred from the Commission's acknowledgment, the Commission shall consider a load-serving entity's filings made under R14-2-703 when the Commission evaluates the performance of the load-serving entity in subsequent rate cases and other proceedings.
  - E. A load-serving entity may seek Commission approval of specific resource planning actions.
  - F. A load-serving entity may file an amendment to an acknowledged resource plan if changes in conditions or assumptions necessitate a material change in the load-serving entity's plan before the next resource plan is due to be filed.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).  
Amended by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**R14-2-705. Procurement**

- A. Except as provided in subsection (B), a load-serving entity may use the following procurement methods for the wholesale acquisition of energy, capacity, and physical power hedge transactions:
  1. Purchase through a third-party online trading system;
  2. Purchase from a third-party independent energy broker;
  3. Purchase from a non-affiliated entity through auction or an RFP process;
  4. Bilateral contract with a non-affiliated entity;
  5. Bilateral contract with an affiliated entity, provided that non-affiliated entities were provided notice and an opportunity to compete against the affiliated entity's proposal before the transaction was executed; and
  6. Any other competitive procurement process approved by the Commission.
- B. A load-serving entity shall use an RFP process as its primary acquisition process for the wholesale acquisition of energy and capacity, unless one of the following exceptions applies:
  1. The load-serving entity is experiencing an emergency;
  2. The load-serving entity needs to make a short-term acquisition to maintain system reliability;
  3. The load-serving entity needs to acquire other components of energy procurement, such as fuel, fuel transportation, and transmission projects;
  4. The load-serving entity's planning horizon is two years or less;
  5. The transaction presents the load-serving entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost of acquiring new generating facilities, and will provide unique value to the load-serving entity's customers;
  6. The transaction is necessary for the load-serving entity to satisfy an obligation under the Renewable Energy Standard rules; or
  7. The transaction is necessary for the load-serving entity's demand-side management or demand response programs.

- C. A load-serving entity shall engage an independent monitor to oversee all RFP processes for procurement of new resources.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**R14-2-706. Independent Monitor Selection and Responsibilities**

- A. When a load-serving entity contemplates engaging in an RFP process, the load-serving entity shall consult with Staff regarding the identity of companies or consultants that could serve as independent monitor for the RFP process.
- B. After consulting with Staff, a load-serving entity shall create a vendor list of three to five candidates to serve as independent monitor and shall file the vendor list with Docket Control to allow interested persons time to review and file objections to the vendor list.
- C. An interested person shall file with Docket Control, within 30 days after a vendor list is filed with Docket Control, any objection that the interested person may have to a candidate's inclusion on a vendor list.
- D. Within 60 days after a vendor list is filed with Docket Control, Staff shall issue a notice identifying each candidate on the vendor list that Staff has determined to be qualified to serve as independent monitor for the contemplated RFP process. In making its determination, Staff shall consider the experience of the candidates, the professional reputation of the candidates, and any objections filed by interested persons.
- E. A load-serving entity that has completed the actions required by subsections (A) and (B) to comply with a particular Commission Decision is deemed to have complied with subsections (A) and (B) and is not required to repeat those actions.
- F. A load-serving entity may retain as independent monitor for the contemplated RFP process and for its future RFP processes any of the candidates identified in Staff's notice.
- G. A load-serving entity shall file with Docket Control a written notice of its retention of an independent monitor.
- H. A load-serving entity is responsible for paying the independent monitor for its services and may charge a reasonable bidder's fee to each bidder in the RFP process to help offset the cost of the independent monitor's services. A load-serving entity may request recovery of the cost of the independent monitor's services, to the extent that the cost is not offset by bidder's fees, in a subsequent rate case. The Commission shall use its discretion in determining whether to allow the cost to be recovered through customer rates.
- I. One week prior to the deadline for submitting bids, a load-serving entity shall provide the independent monitor a copy of any bid proposal prepared by the load-serving entity or entity affiliated with the load-serving entity and of any benchmark or reference cost the load-serving entity has developed for use in evaluating bids. The independent monitor shall take steps to secure the load-serving entity's bid proposal and any benchmark or reference cost so that they are inaccessible to any bidder, the load-serving entity, and any entity affiliated with the load-serving entity.
- J. Upon Staff's request, the independent monitor shall provide status reports to Staff throughout the RFP process.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2150, effective December 20, 2010 (Supp. 10-4).

**ARTICLE 8. PUBLIC UTILITY HOLDING COMPANIES AND AFFILIATED INTERESTS**

**R14-2-801. Definitions**

In this Article, unless the context otherwise requires:

1. "Affiliate," with respect to the public utility, shall mean any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the public utility. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the power to direct the management policies of such entity, whether through ownership of voting securities, or by contract, or otherwise.
2. "Commission." The Arizona Corporation Commission.
3. "Entity." A corporation, partnership, limited partnership, joint venture, trust, estate, or natural person.
4. "Holding Company" or "Public Utility Holding Company." Any affiliate that controls a public utility.
5. "Reorganize" or "Reorganization." The acquisition or divestiture of a financial interest in an affiliate or a utility, or reconfiguration of an existing affiliate or utility's position in the corporate structure or the merger or consolidation of an affiliate or a utility.
6. "Subsidiary." Any affiliate controlled by a utility.
7. "System of Accounts." The accounting system or systems prescribed for utilities by the Commission.
8. "Utility" or "Public Utility." Any Class A investor-owned public service corporation subject to the jurisdiction of the Arizona Corporation Commission.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-802. Applicability**

- A. These rules are applicable to all Class A investor-owned utilities under the jurisdiction of the Commission and are applicable to all transactions entered into after the effective date of these rules.
- B. Information furnished to the Commission in compliance with these rules will not be open to public inspection, or made public, except on order of the Commission, or by the Commission, or a Commissioner in the course of a hearing or proceeding.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-803. Organization of Public Utility Holding Companies**

- A. Any utility or affiliate intending to organize a public utility holding company or reorganize an existing public utility holding company will notify the Commission's Utilities Division in writing at least 120 days prior thereto. The notice of intent will include the following information:
1. The names and business addresses of the proposed officers and directors of the holding company;
  2. The business purposes for establishing or reorganizing the holding company;
  3. The proposed method of financing the holding company and the resultant capital structure;
  4. The resultant effect on the capital structure of the public utility;
  5. An organization chart of the holding company that identifies all affiliates and their relationships within the holding company;
  6. The proposed method for allocating federal and state income taxes to the subsidiaries of the holding company;
  7. The anticipated changes in the utility's cost of service and the cost of capital attributable to the reorganization;
  8. A description of diversification plans of affiliates of the holding company; and

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9. Copies of all relevant documents and filings with the United States Securities and Exchange Commission and other federal or state agencies.
  10. The contemplated annual and cumulative investment in each affiliate for the next five years, in dollars and as a percentage of projected net utility plant, and an explanation of the reasons supporting the level of investment and the reasons this level will not increase the risks of investment in the public utility.
  11. An explanation of the manner in which the utility can assure that adequate capital will be available for the construction of necessary new utility plant and for improvements in existing utility plant at no greater cost than if the utility or its affiliate did not organize or reorganize a public utility holding company.
- B.** The Commission staff will, within 30 days after receipt of the notice of intent, notify the Applicant of any questions which it has concerning the notice or supporting information. The Commission will, within 60 days from the receipt of the notice of intent, determine whether to hold a hearing on the matter or approve the organization or reorganization without a hearing.
- C.** At the conclusion of any hearing on the organization or reorganization of a utility holding company, the Commission may reject the proposal if it determines that it would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-804. Commission Review of Transactions Between Public Utilities and Affiliates**

- A.** A utility will not transact business with an affiliate unless the affiliate agrees to provide the Commission access to the books and records of the affiliate to the degree required to fully audit, examine or otherwise investigate transactions between the public utility and the affiliate. In connection therewith, the Commission may require production of books, records, accounts, memoranda and other documents related to these transactions.
- B.** A utility will not consummate the following transactions without prior approval by the Commission:
1. Obtain a financial interest in any affiliate not regulated by the Commission, or guarantee, or assume the liabilities of such affiliate;
  2. Lend to any affiliate not regulated by the Commission, with the exception of short-term loans for a period less than 12 months in an amount less than \$100,000; or
  3. Use utility funds to form a subsidiary or divest itself of any established subsidiary.
- C.** The Commission will review the transactions set forth in subsection (B) above to determine if the transactions would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.
- D.** Every transaction in violation of subsection (A) or (B) above is void, and the transaction shall not be made on the books of any public service corporation.
- E.** The system of accounts used by the public utility will include the necessary accounting records needed to record and compile transactions with each affiliate.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-805. Annual Filing Requirements of Diversification Activities and Plans**

- A.** On or before April 15th of each calendar year, all public utilities meeting the requirements of R14-2-802 and public utility holding companies will provide the Commission with a description of diversification plans for the current calendar year that have been approved by the Boards of Directors. As part of these filings, each public utility meeting the requirements of R14-2-802 will provide the Commission the following information:
1. The name, home office location and description of the public utility's affiliates with whom transactions occur, their relationship to each other and the public utility, and the general nature of their business;
  2. A brief description of the business activities conducted by the utility's affiliates with whom transactions occurred during the prior year, including any new activities not previously reported;
  3. A description of plans for the utility's subsidiaries to modify or change business activities, enter into new business ventures or to acquire, merge or otherwise establish a new business entity;
  4. Copies of the most recent financial statements for each of the utility's subsidiaries;
  5. An assessment of the effect of current and planned affiliated activities on the public utility's capital structure and the public utility's ability to attract capital at fair and reasonable rates;
  6. The bases upon which the public utility holding company allocates plant, revenue and expenses to affiliates and the amounts involved; an explanation of the derivation of the factors; the reasons supporting that methodology and the reasons supporting the allocation;
  7. An explanation of the manner in which the utility's capital structure, cost of capital and ability to raise capital at reasonable rates have been affected by the organization or reorganization of the public utility holding company;
  8. The dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer;
  9. Contracts or agreements to receive, or provide management, engineering, accounting, legal, financial or other similar services between a public utility and an affiliate;
  10. Contracts or agreements to purchase or sell goods or real property between a public utility and an affiliate; and
  11. Contracts or agreements to lease goods or real property between a public utility and an affiliate.
- B.** After reviewing the diversification plans, the Commission may, within 90 days after plans have been provided, request additional information, or order a hearing, or both, should it conclude after its review that the business activities would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-806. Waiver from the Provisions of this Article**

- A.** The Commission may waive compliance with any of the provisions of this Article upon a finding that such waiver is in the public interest.
- B.** Any affected entity may petition the Commission for a waiver by filing a verified application for waiver setting forth with specificity the circumstances whereby the public interest justi-

- fies noncompliance with all or part of the provisions of this Article.
- C. If the Commission fails to approve, disapprove, or suspend for further consideration an application for waiver within 30 days following filing of a verified application for waiver, the waiver shall become effective on the 31st day following filing of the application.

#### Historical Note

Adopted effective July 30, 1992 (Supp. 92-3).

### ARTICLE 9. CUSTOMER-OWNED PAY TELEPHONES

#### R14-2-901. Definitions

In this Article, unless the context otherwise requires:

1. "Affiliate" means any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, a customer of record. For purposes of this subsection, the term "control, (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, means the power to direct the management policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.
2. "Customer of record" means a premises owner or vendor, who has either applied to, or who has obtained from, an LEC an access line to be a COPT provider.
3. "Customer-owned pay telephone (COPT) provider" means an entity authorized by the Commission to provide public pay telephone service to end-users and which is not a certificated LEC on the effective date of this Article. For purposes of compliance with Article 5 of this Chapter, "COPT provider" does not mean a "utility" as defined in R14-2-501(24).
4. "'800' service" means calls to telephone numbers which normally can be reached without charge to the calling party by dialing 1-800 plus 7 digits.
5. "Entity" means a corporation, partnership, limited partnership, joint venture, trust, estate, or natural person.
6. "Local exchange company (LEC)" means a company which is certificated to operate the local public switched telecommunications network.
7. "Public access line (PAL)" means any LEC tariff under which COPT providers are authorized to obtain access to the local and interexchange telecommunications network.

#### Historical Note

Adopted effective September 16, 1992 (Supp. 92-3).

*Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.*

#### R14-2-902. Application for Certificate of Convenience and Necessity

- A. Within 30 days of the effective date of this Article, all LEC's shall provide written notification of the requirements of this Article to each of their existing customers of record. Such notification shall be in a form acceptable to the Commission and shall explain that all customers of record are required to file either an application for a certificate of convenience and necessity (CC&N) pursuant to this Section or an application for an adjudication not a public service corporation pursuant to R14-2-904.

- B. Any customer of record requesting PAL service subsequent to the effective date of this Article who was not subject to the provisions of subsections (A) and (E) of this Section, or whose PAL service was terminated pursuant to the provisions of this Article, shall provide to the LEC proof of either:
1. A CC&N granted pursuant to this Section; or
  2. An adjudication order declaring that it is not a public service corporation pursuant to R14-2-904.
- C. All customers of record shall submit to the Commission an original and 10 copies of an application for a CC&N. A customer of record who has COPT's placed in more than one location may apply for a single CC&N to cover all locations served.
- D. Each customer of record shall submit an application on a form provided by the Commission which includes all of the following information:
1. The name and address of the customer of record, including a contact person for coordinating communications with the Commission and a contact person or telephone number for maintenance and complaint handling. If the customer of record is other than an individual, a listing of the officers, directors, or partners and a copy of the articles of incorporation, partnership agreement, or other organizational document shall be provided.
  2. A description of all affiliated relationships between the customer of record and any public service corporation or telecommunications company.
  3. The addresses and descriptions of locations to be served, including the name of the serving LEC.
  4. A description of the equipment being used to provide service.
  5. A list of services provided and the proposed rates.
  6. An example of the contract between the customer of record and the premises owner, if different.
  7. A description of how information posting and complaint handling requirements will be met.
  8. A customer of record planning to serve more than 50 locations shall submit relevant financial data, including current financial statements, the method of financing operations, and projected annual operating expenses. For purposes of this subsection, the number of service locations shall include all those of the customer of record and affiliates.
  9. One of the following also shall be included:
    - a. A commitment to provide service under the Generic (Streamlined) COPT Tariff; or
    - b. A request for approval of services under a Special (Non- Streamlined) COPT Tariff.
- E. Time-frames for processing applications for Certificates of Convenience and Necessity
1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
  2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
  3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.



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4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application, unless a formal hearing is held.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 30 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-frame: 180 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- F. Subsequent to adoption of this Article, the Commission shall issue an order setting time limitations within which LECs, as well as all customers of record providing service as of the effective date of this Article, shall comply with the requirements contained herein.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).  
Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4).

**R14-2-903. Grant of Certificate of Convenience and Necessity**

- A. The Commission shall analyze an application for a CC&N to determine if it is complete and correct. If necessary, the Commission may request additional information from the CC&N applicant.
- B. The Commission shall hold a hearing to review an application for a CC&N. The type of hearing held shall depend on the tariff requested by the CC&N applicant:
  1. The Commission may hold periodic consolidated hearings to review all applications which request the Generic (Streamlined) COPT Tariff described in R14-2-905.
  2. The Commission shall hold individual hearings to review applications which request a Special (Non-Streamlined) COPT Tariff as described in R14-2-906.
- C. The Commission shall notify in writing the CC&N applicant and the appropriate LEC of the Commission's determination made pursuant to this Section. A CC&N granted under this Section shall be issued in the name of the customer of record.
- D. All CC&N's granted under this Section shall include both of the following:
  1. An obligation to serve all users in a non-discriminatory manner, and
  2. An obligation to comply with all Commission requirements relevant to the provision of intraLATA service.
- E. A holder of a CC&N shall notify the Commission in writing prior to discontinuing or abandoning COPT service at any location.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-904. Application for Adjudication not a Public Service Corporation**

- A. Any entity intending to provide COPT service, or any customer of record, may submit to the Commission an original and 10 copies of an application to be adjudicated not a public service corporation.
- B. The Commission shall determine whether the adjudication applicant is a public service corporation by examining all of the following factors:
  1. What business activities the adjudication applicant conducts or will conduct.
  2. Whether the pay telephone service is or will be dedicated to public use.
  3. Whether the adjudication applicant accepts or will accept substantially all requests for service.
  4. Whether the adjudication applicant is or will be the sole offeror of pay telephone service in the area, or is in competition with other providers.
  5. Whether the public safety and convenience requires maintenance of public telephone facilities at the locations designated in the application.
- C. The Commission shall notify in writing the adjudication applicant and the appropriate LEC of the Commission's determination made pursuant to subsection (B) of this Section. Such notification shall be made within 180 days of receipt of an application submitted pursuant to subsection (A) of this Section.
- D. An adjudication applicant adjudicated a public service corporation under the provisions of this Section shall submit an application for a certificate of convenience and necessity pursuant to R14-2-902 within 30 days of receiving notice of the Commission's determination.
- E. An adjudication applicant adjudicated not a public service corporation under this Section shall be exempt from the requirements contained in this Article.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-905. Generic (Streamlined) COPT Tariff**

- A. All COPT providers holding CC&N's granted under this Article shall comply with the terms of the Generic (Streamlined) COPT Tariff, unless otherwise ordered by the Commission pursuant to R14-2-906.
- B. In the Generic (Streamlined) COPT Tariff, the Commission shall specify the rates, terms, and conditions associated with the following standards:
  1. The rates and charges to end-users for local calling.
  2. The rates and charges to end-users for intrastate toll calling.
  3. The application of toll charges, if any, for use of "800" services.
  4. The accessibility by end-users of alternative toll carriers.
  5. Limitations on service to local calling and access to local operators.
  6. Instructions on how to make a call and how to obtain refunds.
  7. Duration of local calls before additional charges apply.
  8. The provision of emergency service and local directory assistance.
  9. Acceptable methods of payment by end-users.
  10. Design and technical specifications for instruments.
  11. The provision of operator services.
  12. Procedures for obtaining approval for provision of services not included in the tariff.
  13. The termination of PAL service at any location for violation of tariff provisions.

- C. The Commission may approve and revise the Generic (Streamlined) COPT Tariff as necessary.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-906. Special (Non-Streamlined) COPT Tariff**

- A. Instead of concurring with the Generic (Streamlined) COPT Tariff, a COPT provider may file a proposed Special (Non-Streamlined) COPT Tariff with an application for a CC&N submitted pursuant to R14-2-902.
- B. The Commission shall analyze each proposed Special (Non-Streamlined) COPT Tariff on an individual basis. In reviewing the proposed Special (Non-Streamlined) COPT Tariff, the Commission shall consider the standards listed in R14-2-905(B).
- C. While a proposed Special (Non-Streamlined) COPT Tariff is pending before the Commission, the COPT provider shall comply with the provisions of the Generic (Streamlined) COPT Tariff.
- D. Following a hearing, the Commission may approve, modify, or reject any proposed Special (Non-Streamlined) COPT Tariff.
- E. Changes may be made to a Special (Non-Streamlined) COPT Tariff as a result of a tariff filing made pursuant to A.R.S. § 40-250(B) or an individual rate proceeding.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-907. Reporting Requirements and Safety Standards**

- A. All COPT providers shall submit an annual report to the Commission on a form prescribed by the Commission. The annual report shall be filed on or before the first day of February for the preceding calendar year. The annual report shall include all of the following information:
1. A description of any material changes in the information provided by the COPT provider in the original CC&N application or in the last annual report.
  2. An updated list of all locations served by the COPT provider.
  3. The COPT provider's gross operating revenues derived from intrastate operations during the preceding calendar year.
- B. A COPT provider having gross operating revenues derived from intrastate operations during the preceding calendar year which exceed \$250,000 shall be subject to the annual assessment described in A.R.S. § 40-401.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-908. Violations**

- A. The Commission may order a LEC to immediately terminate PAL service to any customer of record which:
1. Fails to do one of the following:
    - a. Obtain a CC&N to provide service pursuant to R14-2-902 and R14-2-903; or
    - b. Receive an adjudication that it is not a public service corporation pursuant to R14-2-904.
  2. Violates any applicable pricing or service standard as described in approved tariffs and R14-2-903, R14-2-905, and R14-2-906.
- B. A LEC shall not offer PAL service to a customer of record unless one of the following requirements has been met:
1. The customer of record has received a CC&N from the Commission; or
  2. The customer of record has been adjudicated not a public service corporation.

- C. A LEC in violation of subsection (B) of this Section shall be subject to the penalty provisions contained in A.R.S. §§ 40-421 to 40-433.

- D. Any COPT provider found by the Commission to be in violation of subsection (A)(2) of this Section shall be subject to revocation of its CC&N.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**R14-2-909. Variations or Exemptions from the Commission's Rules**

Variations or exemptions from the terms and requirements of any of the rules included in this Article shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission's rules. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.

**Historical Note**

Adopted effective September 16, 1992 (Supp. 92-3).

**ARTICLE 10. ALTERNATIVE OPERATOR SERVICES**

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1001. Definitions**

In this Article, unless the context otherwise requires:

1. "Access code" means a sequence of numbers that, when dialed, connects a caller to the provider of operator services associated with that sequence of numbers.
2. "Affiliate" means any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the entity making alternative operator services available to the public. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, means the power to direct the management policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.
3. "Aggregator" or "Traffic Aggregator" means any person or entity that, in the ordinary course of its operations and using a provider of operator services, makes telephones available to the public or to transient users of its premises, for intrastate telephone calls. Each entity that exercises control over telephone equipment, whether through ownership of the equipment, control of access to the equipment, or some other means, will be responsible as an aggregator.
4. "Alternative Operator Services" or "AOS" means provision by an entity, other than a local exchange carrier or a certificated interexchange carrier with authorized operator service tariffs, of any telecommunications service initiated from an aggregator location where automated and/or live assistance is provided to a consumer in order to arrange for billing or completion of an intrastate telephone call. Store and forward payphones are not included within this definition.
5. "AOS Provider" means any public service corporation that provides alternative operator services.

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6. “Billing Agency” means any third party authorized by the AOS provider to submit bills to end users and to handle billing disputes.
  7. “Blocking” means the process of screening the calls dialed from the presubscribed telephone in order to prevent the completion of calls that would allow the caller to reach a preferred interexchange carrier.
  8. “Call splashing” means the transfer of a telephone call from one provider of operator services to another such provider in such a manner that the subsequent provider is unable or unwilling to determine the originating location of the call and consequently bills the call without properly reflecting the originating and terminating points of the telephone call.
  9. “Consumer,” “Caller,” or “End User” means a person initiating any intrastate telephone call by means of alternative operator services.
  10. “Entity” means a corporation, partnership, limited partnership, joint venture, trust, estate, or natural person.
  11. “Interexchange carriers” or “IXCs” means any long-distance telephone carriers authorized by the Commission to provide long distance, interLATA telecommunications service, but not local exchange services, within the state borders.
  12. “IntraLATA long-distance service” means all long-distance service originating and terminating in the same LATA, as defined by the F.C.C.
  13. “LATA” means one of the geographic local access and transport areas established as a result of the AT&T divestiture.
  14. “Local exchange carriers” or “LECs” means telephone companies currently certified to provide local telephone service in designated areas of the state.
  15. “Operator Service Charges” or “charges” means all tariffed charges, other than rate usage charges, and surcharges authorized by the Commission and charged to the end user for live or automated operator-assisted calls.
  16. “Rate” means any usage charges, as approved by this Commission.
  17. “Surcharge” or “Location-specific Surcharge” means a charge imposed by an aggregator upon an end user and paid in addition to the usage rates and operator service charges of the alternative operator services provider.
  18. “Waiver” refers to the Commission’s ability to dispense with a requirement under these rules.
  19. “Zero-minus call” means a call that is made by dialing a single zero.
- application for a certificate of convenience and necessity (CC&N) pursuant to this Section.
- B. Any AOS provider requesting billing services subsequent to the effective date of this Article shall provide to the LEC proof that it has made application for or has received a CC&N granted pursuant to this Section.
  - C. All AOS providers shall submit to the Commission an original and the number of copies required by the Commission of an application for a CC&N.
  - D. Each AOS applicant shall submit an application which includes all of the following information:
    1. The name and address of the AOS provider, including a contact person responsible for maintenance and complaint handling. If the AOS provider is other than an individual, a listing of the officers, directors, or partners and a copy of the articles of incorporation, partnership agreement, or other organizational document shall be provided.
    2. An organizational chart which shows all affiliated relationships of the AOS provider.
    3. The addresses and descriptions of locations to be served, including the name of the serving LEC. Applicant may apply for a partial waiver of this rule pursuant to R14-2-1014 requesting that all or part of this information be held confidential by the Commission.
    4. A description of the equipment being used to provide service, including the Federal Communications Commission registration number.
    5. A list of services provided and the proposed rates, operator service charges, and surcharges.
    6. A description of how information posting and complaint-handling requirements will be met.
    7. Relevant financial data, including current financial statements, the method of financing operations, and projected annual operating expense.
    8. Any other requirements that the Commission may require.
  - E. Time-frames for processing applications for Certificates of Convenience and Necessity
    1. This rule prescribes time-frames for the processing of any Application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
    2. Within 365 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
    3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
    4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
    5. Within 365 calendar days after an application is deemed administratively complete, the Commission shall approve or reject the application.
    6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor’s Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1002. Application for Certificate of Convenience and Necessity**

- A. Upon the effective date of this Article, all LECs shall provide written notification of the requirements of this Article to all AOS providers for which they provide billing service. Such notification shall be in a form acceptable to the Commission and shall explain that all AOS providers are required to file an

- a. Administrative completeness review time-frame: 365 calendar days,
  - b. Substantive review time-frame: 365 calendar days,
  - c. Overall time-frame: 730 calendar days.
7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.

#### Historical Note

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1003. Grant of Certificate of Convenience and Necessity

- A. The Commission shall analyze an application for a certificate of convenience and necessity ("CC&N") to determine if it is complete and correct. If necessary, the Commission may request additional information from the CC&N applicant.
- B. The Commission shall hold a hearing to determine whether it is in the public interest to grant a CC&N to the applicant.
- C. The Commission shall notify in writing the CC&N applicant and the appropriate LECs of the Commission's determination made pursuant to this Section. A CC&N granted under this Section shall be issued in the name of the AOS provider.
- D. All CC&Ns granted under this Section shall include both of the following:
  1. An obligation to serve all end-users and subscribers in a nondiscriminatory manner, and
  2. An obligation to comply with all Commission requirements relevant to the provision of telecommunications service.

#### Historical Note

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1004. Rates, Operator Service Charges, and Surcharges

The rates, operator service charges, and surcharges assessed by AOS providers to their end-users of AOS service shall be limited to those specified in Commission-approved tariffs. All rates, operator service charges, and surcharges shall be stated in the tariffs. Location-specific surcharges imposed by the aggregator may only be charged once, either on the AOS bill or at the aggregator location,

but under no circumstances shall a location-specific surcharge be imposed both on the bill and at the aggregator location.

#### Historical Note

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1005. End-user Notification and Choice Requirements

- A. Each AOS provider shall:
  1. Identify itself with a live or automated message at the outpulse of the terminating number which informs the end-user that a named AOS provider has been reached and that such provider's rates, operator service charges, and surcharges apply to the call. This message shall be provided before the end-user incurs any charge for the call, including a usage rate, operator service charge, and surcharge.
  2. Disclose immediately to the consumer, upon request and at no charge to the consumer, any of the following information:
    - a. A quotation of tarified rates, operator service charges, and location-specific surcharges;
    - b. The methods by which such rates, operator service charges, and surcharges will be collected;
    - c. The methods by which complaints concerning such rates, operator service charges, and surcharges or collection practices will be resolved; and
    - d. That the end-user's preferred carrier can be reached by an access code or toll-free customer service number.
- B. The contents and methods of posting shall be described in each AOS provider's tariff. At a minimum, each aggregator shall post all of the following information, through the use of tent cards or stickers on or near the telephone instrument, in plain view of the end-user:
  1. The name, address, and toll-free telephone number of the AOS provider;
  2. A written disclosure that the rates, operator service charges, and location-specific surcharges of the AOS provider apply for all operator-assisted calls;
  3. A statement that interLATA calls made with calling cards, including IXC cards, may be carried by the AOS provider;
  4. Dialing instructions;
  5. A toll-free number for billing inquiries;
  6. A description of complaint procedures; and
  7. That end-users have a right to obtain access to the inter-exchange carrier of their choice.
- C. Each AOS provider shall ensure, by contract or tariff, that each aggregator using the AOS provider's services is in compliance with the requirements of subsection (B) of this Section.
- D. Neither the AOS provider nor the subscriber shall require or participate in blocking any end-user's access to a preferred carrier. AOS providers and their affiliates shall be required to withhold on a location-specific basis, the payment of any compensation, including commissions, to an aggregator that is blocking end-users' access to preferred carriers.
- E. Waivers from the blocking ban will be considered only if accompanied by a detailed cost/benefit analysis and will be granted by the Commission only if the evidence compels a

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finding that without blocking the risk of fraud and revenue erosion to the AOS provider would be significant.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1006. Public Safety Requirements**

- A. AOS providers shall route all zero-minus calls immediately to the originating LEC.
- B. The Commission may, upon application of the AOS provider, issue a waiver to subsection (A) of this Section if the AOS provider has clearly and convincingly demonstrated that it has the capability to process such calls with equal quickness and accuracy as provided by the LEC

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1007. Billing and Collection**

- A. Each AOS provider shall bill monthly for services rendered.
- B. Bills issued for the intrastate interLATA AOS service provided by AOS providers shall include the minimum information required by R14-2-508(B) and identify the AOS provider to the extent that the LEC has the capability to do so. In the absence of that capability, the identification of the billing agent or clearinghouse and its toll-free customer service number shall be required.
- C. The LEC will not process billing for any intraLATA calls carried by the AOS provider, whether intentional or incidental, where the required compensation has not been paid to the LEC.
- D. Each AOS applicant shall comply with all of the following billing procedures:
  1. The billing date shall be printed on the bill and shall be the date the bill was issued;
  2. The AOS provider shall provide a full refund of any charge levied for an uncompleted call; and
  3. AOS providers or their billing agents shall be prohibited from billing for calls which occur more than 60 days prior to the billing date.
  4. AOS providers or their agents are prohibited from billing for any intraLATA calls carried by the AOS provider, whether intentional or incidental, where the required compensation has not been paid to the LEC.
- E. The disconnection of local service for the nonpayment of intrastate interLATA AOS usage charges, operator service charges, and surcharges by end-users shall be permitted only in accordance with the detailed procedures set forth in R14-2-509.

**Historical Note**

Adopted effective November 2, 1993, under a court-

ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1008. Call Splashing Requirements**

- A. AOS providers' tariffs shall require the transfer of calls to other carriers at no charge so that rating and billing properly reflect the originating and terminating points of the telephone call.
- B. When transfers, as described in subsection (A) of this Section are not possible, the tariffs shall require the provider to inform the end-user that the call cannot be completed and that the preferred carrier may be reached by an access code or toll-free customer service number.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1009. Complaint Processing**

- A. AOS applicants for certificates of convenience and necessity shall submit to the Commission a tariff or schedule containing a detailed description of complaint processing procedures.
- B. The name, address, and telephone number of a representative for complaint matters shall be submitted with these procedures.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1010. Quality of Service**

AOS providers applying for certificates of convenience and necessity shall develop quality of service standards for operator response time and call processing time and submit those standards to the Commission for review and approval.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1011. Reports**

- A. AOS providers holding certificates of convenience and necessities shall submit Utility Division annual reports to the Commission pursuant to A.R.S. § 40-204.
- B. AOS providers holding certificates of convenience and necessity shall submit annual reports to the Commission comparing the company's actual monthly performance with the standards in R14-2-1010.
- C. AOS providers that have been certificated shall annually submit to the Commission a list of subscribers and locations served.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1012. Violations**

- A. The Commission may order an LEC to immediately terminate service to AOS providers which:
  1. Fail to make application for or obtain a CC&N to provide service pursuant to R14-2-1002, or
  2. Violate any applicable quality of service standards as described in this Article.
- B. An LEC shall not offer service to an AOS provider unless the AOS provider has made application for or received a CC&N from the Commission.
- C. An LEC in violation of subsection (B) of this Section shall be subject to the penalty provisions contained in A.R.S. §§ 40-421 through 40-433.
- D. Any AOS provider found by the Commission to be in violation of subsection (A)(2) of this Section shall have its CC&N subject to revocation.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1013. IntraLATA Long-distance Service is Prohibited**

AOS providers may not carry intraLATA toll calls where the required compensation has not been paid to the LEC. All intraLATA calls where arrangements have not been made for compensation to the LEC by the IXC must be switched to the authorized LEC of the aggregator.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1014. Variations or Exemptions from the Commission's Rules**

Variations or exemptions from the terms and requirements of any of the rules included in this Article shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission's rules. Such application will be subject to the review of the Commission and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.

**Historical Note**

Adopted effective November 2, 1993, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 93-4).

**ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES**

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1101. Application of Rules**

These rules shall govern the provision of competitive, intrastate telecommunications services to the public by telecommunications companies subject to the jurisdiction of the Arizona Corporation Commission. Unless otherwise ordered by the Commission, these rules shall not govern the provision of service by independently or local exchange carrier-owned pay telephones (COPTs) and alternative operator service (AOS) providers, which shall instead be governed by Articles 9 and Article 10 of this Chapter, respectively. The provision of local exchange service also shall be governed by Article 5 of this Chapter, to the extent that Article is not inconsistent with these rules.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1102. Definitions**

Article, unless the context otherwise requires, the following definitions shall apply:

1. "Arizona Corporation Commission" or "Commission." The regulatory agency of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
2. "Bona Fide Request." A written request submitted by a telecommunications company to a local exchange carrier for intraLATA equal access service or for interconnection arrangements.
3. "Central Office." A facility within a telecommunications system where calls are switched and which contains all the necessary equipment, operating arrangements, and interface points for terminating and interconnecting facilities such as subscribers' line and interoffice trunks.
4. "Competitive Telecommunications Service." Any telecommunications service where customers of the service

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- within the relevant market have or are likely to have reasonably available alternatives.
5. “Docket Control Center.” The Commission section responsible for the acceptance and processing of all applications and other filings, and for official record maintenance.
  6. “Equal Access.” An arrangement where a local exchange company provides all telecommunications companies operating in an equal access central office with dialing arrangements and other service characteristics that are equivalent in type and quality to what the local exchange carrier utilizes in the provision of its service.
  7. “Local Exchange Carrier.” A telecommunications company that provides local exchange service as one of the telecommunications services it offers to the public.
  8. “Local Exchange Service.” The telecommunications service that provides a local dial tone, access line, and local usage within an exchange or local calling area.
  9. “Monopoly Service.” A monopoly service is any telecommunications service provided by a telecommunications company that is not subject to competition in the relevant market.
  10. “Primary Interexchange Company” or “PIC.” The telecommunications company with whom a customer may presubscribe to provide 1+/0+ toll service, without the use of access codes, following equal access implementation.
  11. “Rate.” Within the context of this Article, this term refers to the maximum tariffed rate approved by the Commission, from which the competitive telecommunications service provided may be discounted down to the total service long-run incremental cost of providing the service.
  12. “Relevant Market.” Where buyers and sellers of a specific service or product, or a group of services or products, come together to engage in transactions. For telecommunications services, the relevant market may be identified on a service-by-service basis, a group basis, and/or by geographic location.
  13. “Staff.” The staff of the Arizona Corporation Commission or its designated representative or representatives.
  14. “Tariffs.” The documents filed with the Commission which list the services and products offered by a telecommunications company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
  15. “Telecommunications Company.” A public service corporation, as defined in the Arizona Constitution, Article 15, § 2, that provides telecommunications services within the state of Arizona and over which the Commission has jurisdiction.
  16. “Telecommunications Service.” Any transmission of interactive switched and non-switched signs, signals, writing, images, sounds, messages, data, or other information of any nature by wire, radio, lightwave, or any other electromagnetic means (including access services), which originate and terminate in this state and are offered to or for the public, or some portion thereof, for compensation.
  17. “Total Service Long Run Incremental Cost.” The total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long-run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.
  18. “2-PIC Toll Equal Access.” The equal access option that affords customers the opportunity to select one telecommunications company for all interLATA 1+/0+ toll calls and, at the customer’s option, to select another telecommunications company for all intraLATA 1+/0+ toll calls.
  19. “Unbundled.” Disaggregation of the local exchange carrier network services.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Section heading corrected to “Definitions” as filed June 27, 1995 (Supp. 09-4).

**R14-2-1103. Certificates of Convenience and Necessity Required**

All telecommunications companies providing intrastate telecommunications services shall obtain a Certificate of Convenience and Necessity from the Commission, either under this Article, if competitive services are to be provided or, under Article 5. If the Commission determines that the services identified in an Application filed under this Article are not competitive, the Commission may nevertheless grant a Certificate of Convenience and authorize provision of the services on a noncompetitive basis pursuant to Article 5.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

**R14-2-1104. Expanded Certificates of Convenience and Necessity for Telecommunications Companies with Existing Certificates; Initial Tariffs**

A. Effective July 1, 1995, every telecommunications company, except a local exchange carrier, that has received a Certificate of Convenience and Necessity under Article 5, and that provides or intends to provide competitive, intraLATA telecommunications service shall file with the Docket Control Center 10 copies of an Application to expand its existing Certificate of Convenience and Necessity to provide competitive, intraLATA telecommunications service. In support of the request for an expanded Certificate of Convenience and Necessity, the Application shall, at a minimum, include the following information:

1. A description of the telecommunications company and of the telecommunications services it offers or intends to offer.
2. The proper name and correct intrastate address of the telecommunications company and:
  - a. The full name of its owner if a sole proprietorship,
  - b. The full name of each partner if a partnership,
  - c. A full list of the officers and directors if a corporation, or
  - d. A full list of the members if a limited liability company.
3. A tariff for each service to be provided that states the maximum rate as well as the initial price to be charged, and that also states other terms and conditions that will apply to provision of the service by the telecommunications company. The telecommunications company shall provide economic justification or cost support data if required by the Commission or by Staff.
4. A detailed description of the geographic market to be served and maps depicting the area.

5. Appropriate city, county and/or state agency approvals, where appropriate.
  6. Such other information as the Commission or the Staff may request.
- B.** As part of the Application for an expanded Certificate of Convenience and Necessity, the telecommunications company shall also petition the Commission for a determination that the intraLATA service being provided or to be provided is competitive, pursuant to the requirements of R14-2-1108.
- C.** The Commission shall review the initial tariffs submitted by the telecommunications company and shall determine whether the rates, terms, and conditions for the proposed services are reasonable.
- D.** If it appears, based upon Staff review or upon comments filed with Commission Docket Control Center, that a rate, term, or condition of service stated in a tariff may be unjust or unreasonable, or that a service to be offered by the applicant may not be competitive, the Commission or Staff may require further information and/or changes to the application or to the tariff.
- E.** When the Application is submitted to the Docket Control Center, it will not be filed until it is found to be in proper form. The telecommunications company shall, no later than 20 days after the Application is filed publish legal notice of the Application in all counties where services will be provided. The notice shall describe with particularity the contents of the Application on file with the Commission. Interested persons shall have 20 days from the publication of legal notice to file objections to the Application and to submit a motion to intervene in the proceeding.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

**R14-2-1105. Certificates of Convenience and Necessity for Telecommunications Companies Offering Competitive Services; Initial Tariff**

- A.** Effective July 1, 1995, every other telecommunications company, except a local exchange carrier, that has not previously received a Certificate of Convenience and Necessity, and that provides or intends to provide intrastate competitive telecommunications services shall file with the Docket Control Center 10 copies of an Application for a Certificate of Convenience and Necessity to provide competitive telecommunications services. In support of the request for a Certificate of Convenience and Necessity, the Application shall, at a minimum, include all the information required in R14-2-1104(A) and shall also include the following information:
1. A description of the telecommunications company's technical capability to provide the proposed services and a description of its facilities.
  2. Information describing the financial resources of the telecommunications company, including:
    - a. A current intrastate balance sheet,
    - b. A current income statement (if applicable),
    - c. A pro forma income statement, and
    - d. Comparable financial information evidencing sufficient financial resources.
  3. A copy of the Partnership Agreement, Articles of Incorporation, Articles of Organization, Joint Venture Agreement, or any other contract, agreement, or document that evidences the formation of the telecommunications company.

- B.** An Application filed under subsection (A) of this Section shall also petition the Commission for a determination that the service being provided or to be provided is competitive under the requirements of R14-2-1108.
- C.** An Application filed under subsection (A) of this Section shall be subject to the provisions of subsections R14-2-1104(D) and (E).
- D.** In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the telecommunications company may collect from its customers, or order that such advances or deposits be held in escrow or trust.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

**R14-2-1106. Grant of Certificate of Convenience and Necessity**

- A.** The Commission, after notice and hearing, may deny certification to any telecommunications company which:
1. Does not provide the information required by this Article;
  2. Is not offering competitive services, as defined in this Article;
  3. Does not possess adequate financial resources to provide the proposed services;
  4. Does not possess adequate technical competency to provide the proposed services; or
  5. Fails to provide a performance bond, if required.
- B.** Every telecommunications company obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:
1. The telecommunications company shall comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service.
  2. The telecommunications company shall maintain its accounts and records as required by the Commission.
  3. The telecommunications company shall file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate.
  4. The telecommunications company shall maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require.
  5. The telecommunications company shall cooperate with Commission investigations of customer complaints.
  6. The telecommunications company shall participate in and contribute to a universal service fund, as required by the Commission.
  7. Failure by a telecommunications company to comply with any of the above conditions may result in rescission of its Certificate of Convenience and Necessity.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative*



*Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1107. Application to Discontinue or Abandon Local Exchange or Interexchange Services**

- A. Any telecommunications company providing competitive local exchange or interexchange service on a resold or facilities-based basis that intends to discontinue service or to abandon all or a portion of its service area shall file an application for authorization with the Commission setting forth the following:
1. Any reasons for the proposed discontinuance of service or abandonment of service area;
  2. Verification that all affected customers have been notified of the proposed discontinuance or abandonment, and that all affected customers will have access to an alternative local exchange service provider or interexchange service provider;
  3. Where applicable, a plan for the refund of deposits collected pursuant to subsection R14-2-503(B);
  4. A list of all alternative utilities providing the same or similar service within the affected geographic area.
- B. When the application is submitted to the Docket Control Center, it will not be filed until it is found to be in proper form. No later than 20 days after the application is filed, the telecommunications company shall publish legal notice of the application in all counties affected by the application. The legal notice shall describe with particularity the substance of the application. Interested persons shall have 30 days from the publication of legal notice to file objections to the application, to request a hearing, and to submit a motion to intervene in the proceeding.
- C. Once proper notice is effected and if no objection is filed, the Commission may grant the application without a hearing.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 10 A.A.R. 1030, effective April 26, 2004 (Supp. 04-1).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1108. Determination of a Competitive Telecommunications Service**

- A. A telecommunications company may petition the Commission to classify as competitive any service or group of services provided by the company. The telecommunications company shall file with the Docket Control Center 10 copies of its petition. The telecommunications company also shall provide notice of its application to each of its customers, if any, and to each regulated telecommunications company that serves the same geographic area or provides the same service or group of services, or a service or group of services similar to the service or group of services for which the competitive classification is requested.
- B. The petition for competitive classification shall set forth the conditions within the relevant market that demonstrate that the telecommunications service is competitive, providing, at a minimum, the following information:
1. A description of the general economic conditions that exist which make the relevant market for the service one that is competitive;

2. The number of alternative providers of the service;
  3. The estimated market share held by each alternative provider of the service;
  4. The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801;
  5. The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and
  6. Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the services.
- C. Alternatively, where the Commission has already classified a specific service within the relevant market as competitive, the petition shall provide the date and decision number of the Commission order.
- D. In any competitive classification proceeding, the telecommunications company filing the petition, and any telecommunications company supporting the petition, shall have the burden of demonstrating that the service at issue is competitive. Classification of the petitioners' service as competitive does not constitute classification of any service provided by another telecommunications company as competitive, unless expressly ordered by the Commission.
- E. The Commission may initiate classification proceedings on its own motion and may require all regulated telecommunications companies potentially affected by the classification proceeding to participate in the proceeding. In an Order classifying a service as competitive, the Commission will specify whether the classification applies to the service provided by a specific company or companies or to that service provided by all telecommunications companies.
- F. If the Commission finds that a telecommunications company's service is competitive, the telecommunications company providing the service may obtain a rate change for the service by applying for streamlined rate treatment pursuant to R14-2-1110.
- G. Any finding by the Commission, pursuant to the provisions of this Section, that a telecommunications service is competitive so as to qualify for streamlined rate treatment shall not constitute a finding that the service is deregulated.
- H. Any telecommunications service classified by the Commission as competitive may subsequently be reclassified as noncompetitive if the Commission determines that reclassification would protect the public interest. Notice and hearing would be required prior to any reclassification. The burden of proof would be on the party seeking reclassification.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1109. Pricing of Competitive Telecommunications Services**

- A. Pricing of Competitive Services. A telecommunications company governed by this Article may price a competitive telecommunications service at any level at or below the maximum rate stated in the company's tariff on file with the Commission, provided that the price for the service is not less than the

company's total service long-run incremental cost of providing the service.

- B.** Changing a Price. A telecommunications company governed by this Article may effect a price change for a competitive service so long as two conditions are met:
1. The changed price comports with the limitations stated in subsection (A); and
  2. The Commission is provided with concurrent, written notice of the price change.
- C.** No Cross-subsidization. A competitive telecommunications service shall not be subsidized by any rate or charge for any noncompetitive telecommunications services. To ensure that no cross-subsidization exists, each competitive telecommunications service must provide revenues that equal or exceed the company's total service long-run incremental cost of providing the service.

#### Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1110. Competitive Telecommunications Services -- Procedures for Rate Change

- A.** Telecommunications companies governed by this Article may apply to the Commission for an increase in any rate for a competitive service using the procedures set forth below. All applications and supporting information shall be submitted with 10 copies and filed with Docket Control Center.
- B.** In order to increase the maximum tariffed rate for a competitive telecommunications service, the applicant shall submit an application to the Commission containing the following information:
1. A statement setting forth the reasons for which a rate increase is required;
  2. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates;
  3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service;
  4. The Commission or staff may request any additional information in support of the application.
- C.** The Commission may, at its discretion, act on the requested rate increase with or without an evidentiary hearing; in an expeditious manner.

#### Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

#### R14-2-1111. Requirement for IntraLATA Equal Access

- A.** Each local exchange carrier shall provide 2-PIC toll equal access where technically and economically feasible, and in accordance with any procedures the Commission may order.
- B.** The sequence for implementation of intraLATA equal access shall occur in the following manner:
1. In response to a bona fide request for intraLATA equal access, a local exchange carrier shall complete implementation of intraLATA equal access within nine months of receiving the request. A person making such a bona

fide request shall also provide a copy to the Arizona Corporation Commission.

2. The local exchange carrier may implement intraLATA equal access in any central office on its own initiative but, in any event, shall make intraLATA equal access available in all its central offices no later than July 1, 1996, unless otherwise ordered by the Commission
- C.** A local exchange carrier may petition the Commission for a waiver of the requirement in subsection (B)(1) on the grounds that compliance is not technically or economically feasible. A local exchange carrier may also petition the Commission for an extension of the requirement in subsection (B)(2) on the grounds that intraLATA equal access cannot reasonably or economically be provided within any specific exchanges within the required time-frame. The Commission may grant either of these waivers with or without a hearing. The local exchange carrier filing the waiver petition shall bear the burden of proof.

#### Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

#### R14-2-1112. Interconnection Requirements

All local exchange carriers must provide appropriate interconnection arrangements with other telecommunications companies at reasonable prices and under reasonable terms and conditions that do not discriminate against or in favor of any provider, including the local exchange carrier. Appropriate interconnection arrangements shall provide access on an unbundled, nondiscriminatory basis to physical, administrative, and database network components. Local exchange carriers shall provide appropriate interconnection arrangements within six months of receiving a bona fide request for interconnection. The interconnection arrangements must be in the form of a tariff and shall be filed with the Commission for its approval before becoming effective.

#### Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1113. Establishment of Universal Service Fund

The Commission shall establish an intrastate universal service fund which shall assure the continued availability of basic telephone service at reasonable rates. The universal service fund shall be structured and administered as required by the Commission.

#### Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

#### R14-2-1114. Service Quality Requirements for the Provision of Competitive Services

- A.** General Requirement. Telecommunications companies governed by this Article shall provide quality service in accor-

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- dance with this rule and with any other service quality requirements established by the Commission.
- B. Telecommunications Company Responsibility.** Each telecommunications company governed by this Article:
1. Shall be responsible for maintaining in safe operating condition all equipment and fixtures owned by and under the exclusive control of the telecommunications company that are used in providing telecommunications services to the customer.
  2. Shall make known to applicants for its service and to its subscribers any information necessary to assist the subscriber or customer in obtaining adequate, efficient, and reasonably priced service.
- C. Continuity of Service.** Each telecommunications company providing competitive telecommunications services pursuant to this Article shall make reasonable efforts to supply a satisfactory and continuous level of service.
- D. Billing and Collection**
1. Each telecommunications company governed by this Article shall bill monthly for any competitive services rendered. The following minimum information must be provided on all customer bills:
    - a. A description of the service provided;
    - b. The monthly charge for each service provided;
    - c. The company's toll-free number for billing inquiries;
    - d. The amount or percentage rate of any privilege, sales, use or other taxes that are passed on to the customer as part of the charge for the service provided;
    - e. Any access or other charges that are imposed by order of or at the direction of the Federal Communications Commission; and
    - f. The date on which the bill becomes delinquent.
  2. If the telecommunications company does not provide direct billing to its customers, it shall make arrangements for monthly bills to be rendered to all its customers. However, a local exchange carrier shall not provide billing and collection services for intrastate telecommunications services to any telecommunications company that does not have a Certificate of Convenience and Necessity from the Commission, and that does not have a certification application pending before the Commission.
- E. Insufficient Funds (NSF) Checks.** A telecommunications company governed by this Article may include in its tariffs a fee for each instance where a customer tenders payment for the competitive telecommunications service with an insufficient funds check. When a customer tenders an insufficient check, the telecommunications company may require the customer to make payment in cash, by money order, certified check, or other means which guarantees the customer's payment to the telecommunications company.
- F. Deferred Payment Plan.**
1. Each telecommunications company may, in lieu of terminating service, offer any customer a deferred payment plan to retire unpaid bills for telecommunications company service. If a deferred payment arrangement is made, current service shall not be discontinued if the customer agrees to pay a reasonable portion of the outstanding balance in installments over a period not to exceed six months and agrees to pay all future bills in accordance with the billing and collection tariffs of the telecommunications company.
  2. If a customer does not fulfill the terms of a deferred payment agreement, the telecommunications company shall have the right to disconnect service pursuant to the Commission's termination of service rule, R14-2-509.
- G. Late Payment Penalty.** A telecommunications company governed by this Article may include in its tariffs a late payment penalty which may be applied to delinquent bills. The amount of the late payment penalty shall be stated on a customer's bill when rendered by the telecommunications company or its agent.
- H. Service Interruptions.**
1. Each telecommunications company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur. The telecommunications company shall issue instructions to its employees covering procedures to be followed in the event of any emergency, including national emergencies or local disasters, in order to prevent or mitigate interruption or impairment of service. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.
  2. When a telecommunications company plans to interrupt service to perform necessary repairs or maintenance, the telecommunications company shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the telecommunications company.
- I. Nonpermissible Termination of Service.** A telecommunications company governed by this Article may not disconnect service for:
1. The failure of a customer to pay for services or equipment which are not regulated by the Commission, or
  2. For disputed bills where the customer has complied with the Commission's rules on complaints.
- J. Permissible Termination of Service.** Termination of service without notice may occur in accordance with the provisions of subsection R14-2-509(B). Termination of service with notice shall occur in accordance with provisions of R14-2-509(C) through (E). All local exchange carriers are prohibited from discontinuing local service for alleged delinquency of non-local bills.
- K. Notice of Responsible Officer or Agent.** Each telecommunications company governed by this Article shall file a written statement with the Commission which provides the name, address (business, residence, and post office) and telephone numbers (business and residence) of at least one officer, agent, or one employee responsible for the general management of its operations as a telecommunications company in Arizona. Each telecommunications company shall give notice of any change in this information by filing a written statement with the Commission within five days from the date of any such change.
- L. Competitive Local Exchange Service.** Any telecommunications company providing competitive local exchange service shall comply with the Commission's rules for establishment of service set forth in R14-2-503.
- M. Denial of Service/Noncertificated Utilities.** A local exchange carrier shall deny service to a noncertificated telecommunications company that intends to use the service requested to provide telecommunications service for hire, sale, or resale to the general public within the state of Arizona. Service shall not be denied if the telecommunications company has an Application for a Certificate of Convenience and Necessity pending before the Commission.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp.

02-4).

**R14-2-1115. Administrative Requirements**

- A. Customer Service Complaints.** All customer service complaints concerning competitive telecommunications services shall be governed by the provisions of subsection R14-2-510(A).
- B. Customer Bill Disputes.** All customer bill disputes concerning competitive telecommunications services shall be governed by the provisions of R14-2-510(B) and (C).
- C. Filing of Tariffs, Price Levels, and Contracts.** Each telecommunications company governed by this Article shall file with the Commission current tariffs, price levels, and contracts that comply with the provisions of this Article and with all Commission rules, orders, and all other requirements imposed by the laws of the state of Arizona.
1. Current tariffs for competitive services shall be maintained on file with the Commission pursuant to the requirements of A.R.S. § 40-365.
  2. Current price levels for competitive services shall be filed with the Commission pursuant to the requirements of R14-2-1109(B).
  3. Contracts of telecommunications companies governed by this Article shall be filed with the Commission not later than five business days after execution. If the contract includes both competitive and noncompetitive services, it must be filed at least five business days prior to the effective date of the contract and must separately state the tariffed rate for the noncompetitive services and the price for the competitive services.
  4. Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.
- D. Accounts and Records.**
1. Each telecommunications company shall keep general and subsidiary accounting books and records reflecting the cost of its intrastate properties, assets and liabilities, operating income and expenses, and all other accounting and statistical data which reflect complete, authentic, and accurate information regarding to its properties and operations. These accounting records shall be organized and maintained in such a way as to provide an audit trail through all segments of the telecommunications company's accounting system.
  2. With the exception of local exchange companies, each telecommunications company providing competitive telecommunications services shall maintain its books and records in accordance with Generally Accepted Accounting Principles as promulgated by the Financial Accounting Standards Board and its successors, as amended by any subsequent modification or official pronouncement thereto, which directly relates to regulated industries.
- E. Production of Accounts, Records, and Documents.**
1. All telecommunications companies governed by this Article shall immediately make available, at the time and place the Commission may designate, any accounting records that the Commission may request. Accounting records shall include all or any portion of a telecommunications company's formal and informal accounting books and records along with any underlying and/or supporting documents regardless of the physical location of such books, records, and documents. Accounting records shall also include all books, records or documents which specifically identify, support, analyze, or otherwise explain the reasonableness and accuracy of affiliated interest transactions.
2. The Commission, at its sole discretion, may inspect any telecommunications company's formal and/or informal accounting books, records, and documents at the company's business premises or at its authorized representative's business premises which may be outside the state of Arizona. If inspection of the telecommunications company's accounting records does take place outside the state of Arizona, the telecommunications company will, to the extent legally permissible, assume all reasonable costs of travel, lodging, per diem, and all other miscellaneous costs incurred by participating personnel employed by the Commission or personnel contracted to represent the Commission in any manner.
- F. Annual Reports to the Commission.** All telecommunications companies providing competitive telecommunications services pursuant to this Article shall submit an annual report to the Commission which shall be filed on or before the 15th day of April for the preceding calendar year.
1. The annual report shall be in a form prescribed by the Commission and, at a minimum, shall contain the following information:
    - a. A statement of income for the reporting year similar in format to R14-2-103, Schedule (C)(1) or (E)(2). The income statement shall be Arizona-specific and reflect operating results in Arizona.
    - b. A balance sheet as of the end of the reporting year similar in format to R14-2-103, Schedule (E)(1). The balance sheet shall be Arizona-specific.
  2. Annual reports filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.
- G. Reports to the Securities and Exchange Commission.** All telecommunications companies shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
- H. Other Reports.** All telecommunications companies shall file with the Commission a copy of all annual reports required by the Federal Communications Commission and, where applicable, annual reports required by the Rural Electrification Administration or any other agency of the United States.
- I. Variations, Exemptions of Commission Rules.** The Commission may consider variations or exemptions from the terms or requirements of any of the rules included herein (14 A.A.C. 2, Article 11) upon the verified application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

**Historical Note**

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2). Amended by final rulemaking at 8 A.A.R. 4789, effective December 15, 2002 (Supp. 02-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND****R14-2-1201. Definitions**

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. “Administrator” is the person designated pursuant to R14-2-1212 to administer the AUSF and perform the functions required by this Article.
2. “Arizona Corporation Commission” or “Commission.” The regulatory agency of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
3. “Arizona Universal Service Fund” or “AUSF” is the funding mechanism established by this Article through which surcharges are collected and support paid in accordance with this Article.
4. “AUSF Support” is the amount of money, calculated pursuant to this Article, which a provider of basic local telephone exchange service is eligible to receive from the AUSF pursuant to this Article.
5. “AUSF Support Area” is the geographic area for which a local exchange carrier’s eligibility to receive AUSF support is calculated.
6. “Basic local exchange telephone service” is telephone service that provides the following features:
  - a. Access to 1-party residential service with a voice grade line;
  - b. Access to touchtone capabilities;
  - c. Access to an interexchange carrier;
  - d. Access to emergency services, including but not limited to emergency 911;
  - e. Access to directory assistance service;
  - f. Access to operator service;
  - g. Access to a white page or similar directory listing; and
  - h. Access to telephone relay systems for the hearing and speech impaired.
7. “Benchmark rates” for a telecommunications services provider are those rates approved by the Commission for that provider for basic local exchange telephone service, plus the Customer Access Line Charge approved by the Federal Communications Commission.
8. “Commercial Mobile Radio Service” is any radio communication service carried on between mobile stations or receivers and land stations, or by mobile stations communicating among themselves, that is provided for profit and that makes available to the public service that is connected to the public switched network.
9. “Conversion Factor” is a multiplier that is used to convert a quantity of interconnecting trunks for both wireless and wireline customers into equivalent access lines, for the sole purpose of developing Category 1 surcharges. The value of the Conversion Factor shall be 10 until completion of the review provided for in R14-2-1216.
10. “Interconnecting Trunk” is a 1-way or 2-way voice grade or equivalent voice grade switched message transmission channel furnished by a local switched access provider to a provider of wireless services or to a wireline customer of such local switched access provider to interconnect the provider of wireless services or wireline customer to the public switched network.
11. “Intermediate Local Exchange Carriers” are incumbent providers of basic local exchange telephone service with more than 20,000 access lines but fewer than 200,000 access lines in Arizona.
12. “Large Local Exchange Carriers” are incumbent providers of basic local exchange telephone service serving 200,000 or more access lines in Arizona.
13. “Small Local Exchange Carriers” are incumbent providers of basic local exchange telephone service with 20,000 or fewer access lines in Arizona.
14. “Total Service Long Run Incremental Cost” is the total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long Run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.
15. “U.S. Census Blocks” are geographic areas defined by the U.S. Department of Commerce. The areas, which define the way in which census data is aggregated, generally contain between 250 and 550 housing units.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1202. Calculation of AUSF Support**

- A. The amount of AUSF support to which a provider of basic local exchange telephone service is eligible for a given AUSF support area shall be based upon the difference between the benchmark rates for basic local exchange telephone service provided by the carrier, and the appropriate cost to provide basic local exchange telephone service as determined by the Commission, net of any universal service support from federal sources.
- B. For a small local exchange carrier, the AUSF support area shall include all exchanges served by the local exchange carrier in Arizona. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for a small local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by a small local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be the geographic areas as determined by the Commission.
- C. For an intermediate local exchange carrier, the AUSF support area shall be either all exchanges in Arizona served by that carrier, or such other support area as may be approved by the Commission. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for an intermediate local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by an intermediate local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be geographic areas as determined by the Commission, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long Run Incremental Cost of the incumbent provider. In the event that the FCC adopts a somewhat different forward-looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions.
- D. For a large local exchange carrier, the AUSF support area shall be U.S. census block groups, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long

Run Incremental Cost. In the event that the FCC adopts a somewhat different forward-looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions. Any request for AUSF support by a large local exchange carrier shall include a Total Service Long Run Incremental Cost study, or cost study based on FCC adopted methodology, of basic local exchange service. The cost study shall be developed and presented in a manner that identifies the cost for the individual support areas for which AUSF funding is being requested.

#### Historical Note

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

#### R14-2-1203. Request for AUSF Support

A provider of basic local exchange telephone service may request that the Commission authorize AUSF support with a filing under R14-2-103 or other method as the Commission may prescribe, and upon compliance with all applicable rules set forth in R14-2-1101 through R14-2-1115. A request for AUSF support shall include a statement describing the need for such funding. The Commission shall determine the appropriate cost of providing basic local exchange service for each AUSF support area for which AUSF support is requested and shall calculate in accordance with R14-2-1202 the amount of AUSF support, if any, to which the applicant is entitled.

#### Historical Note

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

#### R14-2-1204. Funding of the AUSF

- A.** The AUSF shall be funded in accordance with this Article by all telecommunications service providers that interconnect to the public switched network. Within 30 days of the effective date of this Article, and thereafter on or before October 1 of each year, each telecommunications provider shall provide to the Administrator a list of all other telecommunications providers that interconnect to its facilities or network.
- B.** The AUSF shall be funded equally by toll and local customers of the providers of telecommunications services, and shall be assessed in the following manner:
1. Category 1 - Providers of basic local exchange service, as discussed in R14-2-1204(B)(1)(a), and other service providers as required under R14-2-1204(B)(1)(a)(i) or permitted under R14-2-1204(B)(3)(b), shall be considered providers of Category 1 service.
    - a. One-half of the AUSF funding requirement will be collected through Category 1 service providers. Category 1 AUSF assessment will be based upon access lines and interconnecting trunks, and assessed by providers of local switched access as either an access line or interconnecting trunk surcharge. The "per access line" surcharge to be in place during a given year will be calculated by the Administrator using the total number of access lines and equivalent access lines deriving from interconnecting trunks that were in service for all Category 1 service providers on October 1 of the previous year. Access lines shall include business and residence lines, public access lines, and other identifiable access lines. All wireless providers including but not limited to

paging and other Commercial Mobile Radio Service providers, that interconnect to the public switched network will contribute to the AUSF under the requirements of Category 1. The number of interconnecting trunks obtained from the local access provider by the wireless provider shall be utilized in conjunction with a Conversion Factor to determine AUSF support from such wireless provider by means of a surcharge on such interconnecting trunks. A wireless provider that fails to contribute to the AUSF as required by this Article shall be subject to termination of its interconnection arrangements pursuant to R14-2-1214(C).

- b. On or before November 1 of each year, each Category 1 local switched access service provider shall provide to the Administrator the number of access lines and number of interconnecting trunks that were in service on October 1 of that year. The Administrator will use these numbers together with the Conversion Factor in calculating the per access line surcharge and per interconnecting trunk surcharge for the following year. The Administrator will multiply the total number of interconnecting trunks by the Conversion Factor to obtain an equivalent number of access lines for the purpose of calculating the surcharges.
2. Category 2 - Providers of intrastate toll service, or other service providers as permitted under R14-2-1204(B)(3), shall be considered providers of Category 2 service and shall be assessed AUSF charges as follows:
    - a. One-half of the AUSF funding requirement will be collected through Category 2 service providers. The Category 2 AUSF assessment will be based on total Arizona intrastate toll revenue, and assessed as a percent of revenue. The percent of revenue assessment to be in place during a given year will be calculated by the Administrator using the annual Arizona intrastate revenue for all Category 2 service providers for the previous year.
    - b. On or before November 1 of each year, each Category 2 service provider shall report to the Administrator the total Arizona intrastate revenue collected between August 1 of the current year and August 1 of the previous year. The Administrator will use this revenue so reported to calculate the AUSF assessment rate for the following year.
  3. New telecommunications service providers.
    - a. Telecommunications providers that begin providing basic local exchange service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(1). Telecommunications providers that begin providing toll service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(2).
    - b. All other telecommunications service providers that interconnect to the public switched network and begin providing telecommunications service after the effective date of this Article, shall choose to be considered either a Category 1, Category 2, or both Category 1 and Category 2 service provider. Such election shall be made in writing to the Administrator within 30 days of beginning to provide telecommunications service in Arizona, with a copy to the Director of Utilities. Written concurrence of the Director of Utilities must be received by the Administrator for such selection to be effective. Such selec-

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tion will be irrevocable for a period of at least three years.

4. A telecommunications provider that provides both Category 1 and Category 2 services shall be assessed AUSF charges pursuant to both R14-2-1204(B)(1) and R14-2-1204(B)(2).

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1205. Calculation of Surcharges**

- A.** The Administrator will calculate the total AUSF support due all local exchange carriers who have been granted AUSF support by the Commission. Administrative costs and audit fees will be added to this amount. The amount of any excess funds in the AUSF will then be subtracted to determine the total funding requirement. The funding requirements from Category 1 and Category 2 service providers will then be calculated. One-half of the funding will be obtained from Category 1 providers through surcharges applied to access lines and interconnecting trunks in service. The other half will be obtained from Category 2 providers through surcharges on intrastate toll revenues.
- B.** For the purpose of determining the surcharges, the Administrator will develop growth factors to apply to the total reported access lines and toll revenues. Such growth factors will be calculated at 1/2 of the estimated annual percentage growth in access lines and in toll revenues.
- C.** Category 1 Surcharge. One-half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 1 service providers. A monthly per access line surcharge and a monthly per interconnecting trunk surcharge required to obtain this funding will be calculated as follows:
1. Adding together the number of access lines and equivalent access lines for all Category 1 service providers, adjusted by the growth factor;
  2. Dividing the total annual AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 1 service providers;
  3. Dividing the amount of Category 1 AUSF support calculated in subsection (C)(2) by the sum of access lines calculated in subsection (C)(1) to yield the per access line surcharge;
  4. Dividing the per access line surcharge calculated in subsection (C)(3) by 12 to determine the monthly access line assessment;
  5. Multiplying the surcharge obtained in subsection (C)(4) by the Conversion Factor to determine the monthly interconnecting trunk surcharge.
- D.** Category 2 Surcharge. One-half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 2 service providers. A percent of revenue surcharge required to obtain this funding will be calculated as follows:
1. Totalling the annual intrastate toll revenues of all Category 2 service providers, adjusted by the growth factor;
  2. Dividing the total AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 2 service providers;
  3. Dividing the amount of Category 2 AUSF support requirement calculated in subsection (D)(2) by the total

annual intrastate toll revenues calculated in subsection (D)(1) to arrive at a percentage of revenue surcharge.

- E.** Recipients of lifeline or other low-income support shall be exempt from paying a Category 1 surcharge.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1206. Implementation**

- A.** Any provider of telecommunications service may file either an AUSF tariff or price list, if appropriate, establishing a flow-through mechanism to collect the surcharge approved by the Commission and calculated by the Administrator.
- B.** On or before the 20th day of each month, each Category 1 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge, including any surcharge on wireless providers, collected by that provider during the preceding month. The Category 1 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.
- C.** On or before the 20th day of each month, each Category 2 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge collected by that provider during the third preceding month. The Category 2 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.
- D.** Eligible recipients of AUSF support are:
1. Providers of telecommunications service engaged in providing basic local exchange telephone service in Arizona which have obtained a Commission order authorizing payments from the AUSF; and
  2. Providers that become entitled to AUSF support based upon the provisions of R14-2-1206(E).
- E.** If the Commission approves AUSF support to a provider of telecommunications service for a defined area, such AUSF support shall also be available to competitive providers of basic local exchange service in the same defined area that are contributing to the AUSF, and that are willing to provide service to all customers in the specific AUSF support area as defined by the Commission. The AUSF support to which the competitive provider is eligible shall be calculated on a per-customer basis, at the same level at which the incumbent provider of telecommunications service receives AUSF support, and shall not result in an increase in the total AUSF support available for the specific census block groups or study area. If basic exchange service is provided through the resale of another carrier's local loop facilities, AUSF support will only be available to the retail service provider if AUSF support is not included in the wholesale price for the resold local service. This Section shall not apply to small local exchange carriers nor to the universal service support being received by any telecommunications service provider as of the effective date of this Article.
- F.** For small local exchange carriers and for any basic local exchange telephone service provider receiving universal service support as of the effective date of this Article, the AUSF support shall not be available to competitive providers of basic local exchange service prior to completion of the review provided for in R14-2-1216. Following completion of the review, AUSF support provided to small and intermediate local exchange carriers shall be available to all competitive providers of basic local exchange service in the same defined area that are contributing to AUSF, and that are willing to provide service to all customers in the specific geographic study area

as defined by the Commission, unless otherwise ordered by the Commission.

- G.** Defined area, study area, geographic area, and support area mean the same area during the first three years of the effective date of this Article. After the first three years, they will still have the same meaning unless otherwise ordered by the Commission.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1207. Calculation of Monthly Payments and the Associated Collections**

- A.** For the monthly Category 1 AUSF payment, each provider of local switched access shall remit to the Administrator an amount equal to the number of access lines in service on the first day of the month, times the monthly surcharge per access line plus the number of interconnecting trunks in service on the first day of the month, times the monthly interconnecting trunk surcharge.
- B.** The monthly AUSF payment that each Category 2 provider shall remit to the Administrator is an amount equal to its monthly intrastate toll revenue times the monthly surcharge percentage.
- C.** Payments must be received by the Administrator by the 20th day of each month. If the payment amount is greater than \$10,000, then it shall be wire transferred to the Administrator.
- D.** The Administrator shall enter into an appropriate non-disclosure agreement with each telecommunications service provider to assure that information necessary to allocate AUSF funding obligations and to calculate surcharges is reported, maintained, and used in a manner that will protect the confidentiality of company specific data. The Administrator shall not use confidential data for any purpose other than administering the AUSF.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1208. Monthly AUSF Disbursements**

- A.** AUSF disbursement shall be made 30 days following the date of AUSF collections.
- B.** The Administrator shall not make AUSF support payments to a provider of telecommunications service until the Administrator has received a copy of a Commission decision authorizing the provider to receive such support.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1209. Procedures for Handling AUSF Rate Changes**

- A.** Category 1 and Category 2 AUSF surcharges shall be revised when the Commission authorizes new or revised AUSF payments to any provider of telecommunications service. The Administrator shall calculate the new AUSF flow-through surcharges in accordance with this Article, which surcharges shall become effective upon the Commission's approval of the new or revised AUSF payments.
- B.** An annual calculation to revise AUSF flow-through surcharges shall be made by the Administrator on December 1 of each year with an effective date the following January 1. The flow-through surcharges shall be calculated so that the total AUSF funding will equal the AUSF revenue requirements,

plus administrative costs as well as any corrections and true-ups. No later than December 1 of each year, the Administrator shall provide notice to the Commission and all telecommunication service providers who pay into the AUSF of the flow-through surcharge rates for the following calendar year.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1210. Statement of Participation of All Telecommunications Service Providers in the AUSF**

- A.** Within 30 days of the effective date of this Article, each telecommunications service provider shall provide a letter to the Administrator acknowledging that provider's obligation under this Article to pay AUSF surcharges. Failure to provide such a letter shall be grounds for termination after written notice from the Administrator of the provider's interconnection with the public switched network.
- B.** Any telecommunications service provider which begins providing telecommunications service after the effective date of this Article shall, within 30 days of beginning to provide intrastate service in Arizona, provide a letter to the Administrator acknowledging that provider's obligation under this Article to make monthly payments for the local and/or toll portion, as appropriate, of the AUSF contribution in accordance with this Article. Failure to provide such a letter shall be grounds for denying to the provider interconnection with the public switched network.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1211. Duties and Responsibilities of the AUSF Administrator**

The Administrator shall:

1. Develop, obtain, and, on or before December 15 of each year, file with the Commission such information and documentation as the Administrator deems necessary for the establishment and calculation of the Category 1 and Category 2 surcharges for the succeeding year. Such a filing shall also be made each time the Commission authorizes a change in the AUSF funding requirement.
2. Monitor the AUSF payments of all telecommunications providers.
3. Oversee the billing of AUSF surcharges.
4. Prepare the necessary forms to be used in reporting the AUSF collections and disbursements and maintain monthly records.
5. Coordinate the collection and disbursement of AUSF monies in accordance with this Article.
6. Prepare an annual report that provides a detailed accounting of the AUSF collections and disbursements and that identifies the annual cost of administration. The report shall be filed with the Commission on or before April 15 of each year.
7. Monitor procedures for auditing the AUSF collections and disbursements. The audit function shall be performed by an independent outside auditor.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).



**R14-2-1212. Interim Administrator**

US WEST Communications, Inc., will serve as interim Administrator of the AUSF and will perform the functions detailed herein that are required of the Administrator for a transition period until a private, neutral third party is appointed by the Commission to serve as Administrator of the AUSF. A neutral third party selected through the competitive bid process shall be appointed no later than July 1, 1997.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1213. Guidelines for Auditing the AUSF**

- A. The AUSF records covering both collections and disbursements shall be audited at the end of the first year following the designation of a third party administrator. The AUSF records will then be audited at least once every other year in the subsequent years of operations.
- B. The records shall be examined for accuracy and the existence of effective internal controls to ensure that the AUSF is being administered appropriately and properly.
- C. An independent external auditor selected by the Commission shall be utilized to provide an unbiased audit opinion concerning the AUSF administration procedures and controls.
- D. Any costs for conducting audits will be deducted from the revenues of the AUSF prior to disbursement of funds.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1214. Enforcement of Collection of Delinquent AUSF Amounts**

- A. The Administrator shall issue past due notices to each provider of telecommunications service that is 15 days or more delinquent in submitting its AUSF payments to the Administrator. A copy of this notice shall be provided to the Commission.
- B. AUSF support payments shall be withheld from any provider of telecommunications service that is delinquent in submitting its AUSF payments to the Administrator. Each provider of telecommunications service will be fully liable for any accrued interest owing on its AUSF contributions that remain unpaid for 30 days. Such delinquent AUSF payments will begin accruing interest at the rate of 1 and 1/2% per month beginning with the 31st day until such amount is paid in full along with all accrued interest.
- C. The local switched access service provider shall promptly notify the Commission and the Administrator of the identity of any wireless provider which fails or refuses to pay its AUSF surcharge. Such notice shall also be directed to the wireless provider. If the wireless provider has not paid the amount due within 30 days of such notice, the interconnection provider shall terminate the wireless provider's interconnection until the full amount together with all accrued interest, is paid in full (unless the payment is in bonafide dispute and the wireless carrier has paid the undisputed amount).
- D. Failure by a telecommunications service provider to comply with the provisions of this Article may result in sanctions as determined by the Commission.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1215. AUSF Annual Report**

- A. On or before April 1 of each year, the Administrator shall file with the Commission an annual report which shall summarize the preceding year activity and contain the following:
  1. A statement of AUSF collections and disbursements.
  2. A record of the total cost of administration of the AUSF.
  3. Audit reports from the audits conducted during the year.
- B. A copy of the annual report shall be provided to each provider of telecommunications service who contributes to the AUSF.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1216. Review Process**

- A. Not later than three years from the effective date of this Article, the Commission staff shall initiate a comprehensive review of this Article and shall provide the Commission with recommendations regarding any necessary changes to the Article. Any interested party may also make such recommendations. The Commission shall consider these recommendations in such proceeding as the Commission deems appropriate.
- B. The costs used to calculate AUSF funding levels for a given provider or AUSF support area shall be reviewed by the Commission at least every three years following the effective date for any authorized AUSF support for the provider or study area. The Commission may reduce the authorized funding level and require that the AUSF surcharge be recalculated on the basis of this review.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

**R14-2-1217. Supersession of Existing USF Mechanism**

The universal service funding mechanism initially approved by the Commission in Decision No. 56639 (September 22, 1989) is superseded by this Article, except that any calculation, contribution or collection of, or entitlement to, universal service fund support approved by the Commission prior to the adoption of this Article shall remain in effect until otherwise ordered by the Commission or until the application of this Article leads to a different result.

**Historical Note**

Adopted effective April 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-2).

*Editor's Note: The Arizona Corporation Commission has determined that the following Article is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**ARTICLE 13. TELECOMMUNICATIONS INTERCONNECTION AND UNBUNDLING**

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1301. Application of Rules**

These rules govern interconnection requirements as provided in R14-2-1112. These rules apply to the provision of local exchange

services by and between local exchange carriers as those terms are defined in R14-2-1102.

#### Historical Note

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1302. Definitions

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "800 data base" means an 800 service data base that contains information on the screening and routing of 800 numbers that are in service.
2. "AIN data base" means a data base that is used in connection with an Advanced Intelligent Network (AIN) architecture. The AIN architecture enables telecommunications service providers to introduce advanced telecommunications services.
3. "ALI" or "Automatic Location Identification" means the process of electronically identifying and displaying the name of the subscriber and address of the calling telephone number to a person answering a 911 call.
4. "Central Office Code" means the first three digits of a seven-digit telephone number. Central office codes are assigned to telecommunications providers by the central office code administrator in accordance with the industry's central office code assignment guidelines.
5. "Centralized Message Distribution System" or "CMDS" means the system managed by Bellcore that assists in billing third party calls. Access to CMDS requires a Bellcore client company host.
6. "Directory Assistance Database Listings" means customer name, address, and telephone number listings in the LEC directory assistance database.
7. "E911" access means the ability of a LEC to interconnect with and deliver emergency calls, and associated ANI and ALI information, where available, to the E-911 controlling office for further routing to the appropriate Public Safety Answering Point.
8. "Essential facility or service" means any portion, component, or function of the network or service offered by a provider of local exchange service: that is necessary for a competitor to provide a public telecommunications service; that cannot be reasonable duplicated; and for which there is no adequate economic alternative to the competitor in terms of quality, quantity, and price.
9. "Extended Area Service" or "EAS" means local (toll-free) calling provided between local exchange carrier exchanges (service areas).
10. "Incumbent Local Exchange Carrier" means any company providing service as a local exchange carrier in Arizona prior to June 23, 1995.
11. "Interconnection Services" means those features and functions of a local exchange carriers network that enable other local exchange carriers to provide local exchange and exchange access services. Interconnection services include, but are not limited to, those services offered by local exchange carriers which have been classified by the Commission as essential services.
12. "LIDB" or "Line Information Data Base" means a data base that contains access line information that is used by telecommunications service providers for billing validation.
13. "Local Exchange Carrier" or "LEC" means a telecommunications company that provides local exchange service as one of the telecommunications services it offers to the public.
14. "Local Number Portability" means permitting customers to choose between authorized providers of local exchange services within a given wire center without changing their telephone number and without impairment of quality, functionality, reliability, or convenience of use.
15. "Mutual traffic exchange" means the exchange of terminating local and EAS traffic between LECs such that all LECs terminate the local exchange traffic of all other LECs without explicitly charging each other for such traffic exchange.
16. "New Entrant Local Exchange Carrier" or "NELEC" means any company certificated by the Commission after June 23, 1995, as a local exchange carrier.
17. "Numbering Plan Administration" or "NPA" means a specific geographic area identified by a unique NPA code. The NPA (area code) is a 3-digit code that identifies the NPA for purposes of call routing. The NPA Administrator is the entity within a NPA that assigns central office prefixes (telephone numbers) to users in the NPA.
18. "Public Safety Answering Point" or "PSAP" means a communications facility operated on a 24-hour basis that is assigned the responsibility to receive 911 calls and, as appropriate, to dispatch public or private safety services or to extend, transfer, or relay 911 calls to the appropriate public or private safety agencies.
19. "Rate Center" means specific geographic locations from which airline mileage measurements are determined for the purpose of rating local, Extended Area Service (EAS), and toll traffic.
20. "Reciprocal Compensation" means the arrangement by which local exchange carriers compensate each other for like services used in the termination of local calls between the customers of the two carriers.
21. "Resale of local service" means the purchase by a local exchange carrier from another local exchange carrier a local exchange service provisioned directly to an end-user customer and rebrands it as its own service.
22. "Total Service Long Run Incremental Cost" or "TSLRIC" is as defined in R14-2-1102(17).
23. "White Pages Listings" means customer name, address, and telephone number listings in the white pages Section of LEC telephone directories.
24. "Yellow Pages Listings" means customer name, address, and telephone number listings in the yellow pages Section of LEC telephone directories.

#### Historical Note

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1303. Points of Interconnection

- A. Incumbent LECs and NELECs shall, by mutual agreement, arrange for the points of interconnection of their respective networks.

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- B. Each company interconnecting pursuant to the provisions of this Section shall be responsible for building and maintaining its own facilities to the point of interconnection. Companies are free to negotiate points of interconnection that involve the recurring and non-recurring compensation by one carrier for the transport facilities of another carrier.
- C. Each company interconnecting pursuant to the provisions of this Section shall be responsible for the traffic that originates on its network up to the point of interconnection, and for the terminating traffic handed off at the point of interconnection to the call's destination.
- D. Should the companies negotiating interconnection arrangements not be able to agree upon the points of interconnection, written notice to that effect shall be made to the Commission Staff by the carrier responding to the interconnection request. The notice shall contain a detailed description of the request itself and why interconnection at the point requested is not feasible.

**Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1304. Reciprocal Compensation**

- A. Local and EAS traffic shall be terminated by the LECs over the interconnection facilities described in R14-2-1303 on the basis of mutual traffic exchange, for a period of 24 months from the effective date of Commission approval of the first interconnection agreement pursuant to R14-2-1506.
- B. Any charges for the underlying transport facilities between the carriers shall be limited to the construction and maintenance charges specified in R14-2-1303.
- C. Notwithstanding the provisions of subsection (A), compensation arrangements may be made by mutual agreement between companies.
- D. If incumbent local exchange carriers and new entrant local exchange carriers do not arrive at compensation arrangements for local call termination by mutual agreement, they shall each file tariffs proposing permanent compensation mechanisms for terminating local calls within 18 months of the effective date of Commission approval of the first interconnection agreement pursuant to R14-2-1506. This Commission has expressed a preference for flat rate local calling and therefore those tariffs shall not contain usage-sensitive call termination charges, unless otherwise approved by the Commission.

**Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1305. Local and Toll Rating Centers**

- A. The incumbent LEC's local calling areas and existing EAS boundaries will be utilized for the purpose of classifying traf-

fic as local, EAS, or toll for purposes of intercompany compensation.

- B. All LECs will use central office codes with rate centers matching the incumbent LEC's rate centers.
- C. All LECs shall be assigned the necessary central office codes for rate purposes.
- D. Until a central office code administrator is designated by the Federal Communications Commission to replace US West Communications, Inc., central office codes will be assigned to LECs, at no charge, in accordance with the industry's central office code assignment guidelines.
- E. No LEC may charge another LEC for changes to switch routing software necessitated by the creation, assignment, or reassignment of NPA or central office codes.

**Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1306. Access to Databases and other Network Functions**

- A. All LECs, including new and incumbent LECs, are required to provide nondiscriminatory access to all necessary network functions, databases, and service components required to provide competitive local exchange services. These elements include, but are not limited to, directory assistance database listings, white page listings, yellow page listings, 800 LIDB and AIN databases, CMDS hosting, Busy Line Verification and Busy Line Interrupt operator services, distribution of telephone directories, inclusion of NELEC information in the Call Guide Section of the directory, and E-911.
- B. Access to additional network functions, databases, and service components may be required from time to time by order of the Commission. This provision does not preclude the incumbent LEC and NELECs from negotiating voluntary arrangements for access to additional network functions, databases, or service components so long as the contracts for the voluntary arrangements are filed with the Commission and such access is made available to all other NELECs, upon request, under nondiscriminatory terms and conditions, including price.
- C. Incumbent LECs shall provide access that is at least equal in type, quality, and price to that provided to themselves, to any affiliate, from any affiliate, or to another incumbent LEC.
- D. LECs shall make available the call setup signaling resources and information necessary for setting up local and interexchange connections, including the use of signaling protocols used in the querying of data bases such as 800 and LIDB. LECs shall be prohibited from interfering with the transmission of signaling information between customers and network operators. LECs and NELECs shall have a duty to correct errors, support network management in a way that promotes network integrity, and prevent fraudulent use of a LEC's network.
- E. All LECs and NELECs shall cooperate in the development of a process to handle intercompany service ordering, provisioning, and billing, and, repair service referrals.

**Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

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#### **R14-2-1307. Unbundling**

- A. Local exchange carriers with less than 200,000 access lines shall be exempt from the unbundling requirements in these rules. Such exemption shall expire upon the receipt of a bona fide request from a certificated local exchange carrier for an unbundled facility, or if a carrier voluntarily chooses to offer unbundled services.
- B. The local exchange carrier's network facilities or services which are determined to be essential shall be provided on terms and under conditions that are equivalent to the terms and conditions under which a local exchange carrier provides such essential facilities or services to itself in the provision of the local exchange carrier's services. The pricing of essential facilities or services shall be pursuant to R14-2-1310 on pricing.
- C. The following local exchange carrier network capabilities are classified as essential facilities or services:
  1. Termination of local calls,
  2. Termination of long distance calls,
  3. Interconnection with E911 and 911 services,
  4. Access to numbering resources,
  5. Dedicated channel network access connections, and
  6. Unbundled loops.
- D. Incumbent local exchange carriers shall make essential facilities or services available for purchase and use pursuant to negotiated agreements or an approved statement of terms and conditions which shall be filed with the Commission.
- E. The following guidelines apply when a certificated telecommunications company makes a bona fide request of an incumbent local exchange carrier to unbundle any network facility or service capability not identified in subsection (C) or when a certificated telecommunications company makes a bona fide request to a NELEC that is the sole owner of essential facilities in the geographic area to unbundle any network facility or service capability. The request shall specify whether the network facility or service is considered by the requesting company to be essential.
  1. For the 12 months following the effective date of these rules, the local exchange carrier shall respond to any such request in writing within 120 days. Thereafter, the local exchange carrier shall respond to any such request in writing within 90 days.
  2. The response to an unbundling request shall clearly state whether the LEC or NELEC intends to provide the network facility or service on an unbundled basis and, if requested, whether it will be offered as an essential facility or service. If the LEC or NELEC does not intend to provide the requested network facility or service, the response shall state the basis for such refusal.
  3. If the local exchange carrier or NELEC agrees to provide the network facility or service on an unbundled basis, the facility or service shall be provided pursuant to negotiated agreements or an approved statement of terms and conditions which shall be filed with the Commission.
  4. If the local exchange carrier or NELEC asserts that unbundling the network facility or service is not techni-

cally feasible, notice to that effect shall be made to the requesting party and to the Commission.

#### **Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### **R14-2-1308. Number Portability**

- A. All local exchange carriers shall make local number portability available to facilitate the ability of a customer to switch between authorized local exchange carriers within a given wire center without changing their telephone number and without impairment of quality, functionality, reliability, or convenience of use. Implementation of local number portability or other forms of local number portability shall be based on a technically and economically feasible solution that meets the needs of Arizona consumers and carriers in a competitively neutral manner.
- B. An incumbent local exchange carrier serving less than 200,000 access lines will not be required to implement local number portability solutions absent the certification and commitment by a new entrant local exchange carrier to provide service on a facilities basis in the incumbent's service territory.
- C. Until such time as local number portability becomes available through database technology, local exchange carriers shall provide interim local number portability pursuant to negotiated agreements or an approved statement of terms and conditions, which shall be filed with the Commission, and shall in addition comply with such other or additional requirements as may be adopted by the Commission.
- D. All telecommunication providers who terminate traffic into an exchange, or exchanges, in which the local number portability database solution has been implemented shall utilize the database solution to ensure efficient and appropriate routing of traffic to Arizona customers.

#### **Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### **R-14-2-1309. Cost Methodology**

TSLRIC is the cost standard to be employed by the incumbent local exchange carrier in conducting the cost studies that establish the underlying cost of local exchange carrier services including unbundled essential facilities and services.

#### **Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin*

*v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### **R14-2-1310. Pricing**

##### **A. Pricing of Basic Communication Services.**

1. The incumbent local exchange carrier shall provide the Commission with price floor calculations for local exchange and long distance services to ensure the avoidance of anti-competitive pricing practices. A NELEC can price below an incumbent LEC's TSLRIC price.
2. Whenever the incumbent local exchange carrier introduces a new local exchange service or long distance service, or proposes to change the rate for an existing local exchange service or long distance service, the local exchange carrier shall provide to the Commission information that demonstrates that the proposed rate equals or exceeds a price floor calculation for that service using an imputation test described in subsection (C).

##### **B. Pricing of Interconnection Services by Local Exchange Providers.**

1. Incumbent local exchange carriers shall establish the price of each interconnection service, including access to databases and other network functions as described in R14-2-1306, at a level equivalent to its TSLRIC-derived costs which may include an assignment of verifiable indirect costs or a 10% addition for indirect costs to the TSLRIC direct costs at the choice of the incumbent LEC.
2. Interim number portability shall be provided by the incumbent local exchange carrier at a price equal to TSLRIC. Any compensation which would otherwise have been received had a local or EAS call to a forwarded number been terminated directly to a customer's chosen carrier, should be passed through from the carrier from whose network the forwarded number is assigned, to the customer's chosen carrier to whose network the number is forwarded.

##### **C. Imputation**

1. An incumbent local exchange carrier shall recover in the retail price of each telecommunications service offered by the company the TSLRIC of all nonessential, and the imputed prices of all essential services, facilities, components, functions, or capabilities that are utilized to provision such telecommunications service, whether such service is offered pursuant to tariff or private contract.
2. Imputation requirements of this Section shall be applied in a manner that will permit a carrier providing a service to a customer that is or that becomes eligible for universal service support by order of the Commission to provide such retail service at a price that is net of any Commission-ordered universal service support funding, pursuant to the provisions of the Arizona Universal Service Fund rules.

#### **Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### **R14-2-1311. Waivers**

The Commission may consider variations or exemptions from the terms or requirements of any of the rules included herein (14 A.A.C. 2, Article 13) upon application of an affected party. The

application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provision of the approved tariff or order of the Commission shall apply.

#### **Historical Note**

Adopted effective September 6, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-3).

### **ARTICLE 14. EMERGENCY EXPIRED**

#### **R14-2-1401. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1402. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1403. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1404. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1405. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1406. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1407. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### **R14-2-1408. Emergency Expired**

#### **Historical Note**

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-

ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

#### R14-2-1409. Emergency Expired

##### Historical Note

Emergency rule adopted effective December 22, 1995, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-4). Emergency expired.

*Editor's Note: The Arizona Corporation Commission has determined that the following Article is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### ARTICLE 15. ARBITRATION AND MEDIATION

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1501. Application of Rules

These rules govern procedures mandated by the Telecommunications Act of 1996, 47 U.S.C. 252, regarding the mediation, arbitration, review, and approval of interconnection agreements.

##### Historical Note

Emergency rule adopted effective July 23, 1996, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission; filed with the Office of the Secretary of State July 15, 1996 (Supp. 96-3). Emergency expired. Emergency rule adopted again effective January 17, 1997, for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 97-1). Emergency expired. New Section adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### R14-2-1502. Definitions

- A. "Arbitration" means an alternative dispute resolution process in which the Arizona Corporation Commission decides the matter in dispute after the parties have had an opportunity to present their respective positions.
- B. "Arizona Corporation Commission" or "Commission" means the regulatory agency of the state of Arizona that has jurisdiction over public service corporations operating in Arizona.
- C. "Duty to Negotiate in Good Faith" means that parties meet and confer at reasonable times and places with minds open to persuasion and with an eye toward reaching agreement on mandatory subjects of bargaining.
- D. "Interconnection Agreement" means a formal agreement between any telecommunications carriers providing or intending to provide telecommunications services in Arizona, setting forth the particular terms and conditions under which interconnection and resale services, as appropriate, will be provided.

- E. "Mediation" means a voluntary alternative dispute resolution process in which a neutral third party assists the parties in reaching their own settlement. The mediator does not have the power to impose a resolution. The role of the mediator and the goal of the process is to help the parties achieve their own resolution.
- F. "Petition for arbitration" means the petition requesting arbitration of issues unresolved in the negotiation of an interconnection agreement.
- G. "Petitioner" means the party to the negotiation that files the petition for arbitration with the Commission.
- H. "Request for negotiation" means a formal request made by any telecommunications carrier providing or intending to provide telecommunications services in Arizona to another telecommunications carrier to negotiate an interconnection agreement.
- I. "Respondent" or "responding party" means the nonpetitioning party to the request for arbitration.

##### Historical Note

Emergency rule adopted effective July 23, 1996, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission; filed with the Office of the Secretary of State July 15, 1996 (Supp. 96-3). Emergency expired. Emergency rule adopted again effective January 17, 1997, for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 97-1). Emergency expired. New Section adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

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#### R14-2-1503. Negotiation

A telecommunications carrier initiating a request to negotiate shall notify the Commission when a request for negotiation has been made pursuant to 47 U.S.C. 252. The notification shall include the names of the negotiating parties and the date of the request. The notification shall be served on all parties to the negotiation.

##### Historical Note

Emergency rule adopted effective July 23, 1996, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission; filed with the Office of the Secretary of State July 15, 1996 (Supp. 96-3). Emergency expired. Emergency rule adopted again effective January 17, 1997, for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 97-1). Emergency expired. New Section adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

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#### R14-2-1504. Mediation

- A. Any party negotiating an agreement under 47 U.S.C. 252 may, at any point in the negotiation, ask the Commission to partici-

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part in the negotiation and to mediate any differences arising in the course of the negotiation.

- B. If a party requests mediation by the Commission, a non-Hearing Division employee of the Commission will be appointed to act as mediator.
- C. A request for mediation shall contain a brief statement of the nature of the dispute and the names, addresses, and telephone and telefax numbers of the parties or their representatives. Copies of the request shall be served on all parties to the negotiation.
- D. The mediator shall have discretion to regulate the course of the mediation, including scheduling of mediation sessions, in consultation with the parties. The following general procedures apply:
  1. The mediator will not impose a settlement but can offer proposals for settlement;
  2. The mediator may meet individually with the parties or attorneys during mediation;
  3. Only the parties to the negotiation may attend the mediation session or sessions, unless all parties consent to the presence of others;
  4. Parties shall provide the mediator with a brief statement of position and relevant background information prior to the first mediation session. The mediator may ask for this information to be supplemented;
  5. The mediator will not provide legal advice to the parties, nor will any mediator's statements as to law or policy be binding on the Commission, unless later adopted by the Commission;
  6. The mediation process is confidential, to the extent permitted by law. No stenographic record will be kept.
- E. All parties participating in a requested Commission mediation have a duty to negotiate in good faith. The mediator may terminate the mediation if it appears that the likelihood of agreement is remote or if a party is not participating in good faith, or for other good cause. Ordinarily, a mediation should not be terminated prior to the completion of at least one mediation session.

**Historical Note**

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**R14-2-1505. Arbitration****A. Filing and Service of a Petition for Arbitration.**

1. During the period from the 135th to the 160th day (inclusive) after the date on which an incumbent local exchange carrier receives a request for negotiation under 47 U.S.C. 252(b)(1), any party to the negotiation may petition the Arizona Corporation Commission to arbitrate any open issues. The petition shall request arbitration of all issues

which are unresolved at the time the petition is filed. Parties may continue to negotiate or otherwise resolve the disputed issues after arbitration is requested. The pendency of a mediation shall not bar a party from petitioning the Commission for arbitration.

2. An original and 10 copies of a petition for arbitration shall be filed with the Commission. The petitioner shall deliver to the respondent a complete copy of the petition and all accompanying documentation on the same day that the petition is filed with the Commission.

**B. Contents of Petition and Documentation.**

1. A petition for arbitration shall clearly set forth the date upon which the original request for negotiation was received and the dates 135 days, 160 days, and nine months thereafter.
2. A petition for arbitration shall be accompanied by all relevant documentation concerning the unresolved issues, the position of each of the parties with respect to those issues, and any other issue discussed and resolved by the parties. Relevant documentation includes, but is not limited to, the following:
  - a. A brief or other written statement addressing the disputed issues. The brief should address, in addition to any other matters, how the parties' positions and any conditions requested meet or fail to meet the requirements of 47 U.S.C. 251; any applicable Federal Communication Commission regulations; and any applicable regulation, order, or policy of this Commission.
  - b. Where prices are in dispute, the petitioner shall submit its proposed rates or charges and related supporting materials.
  - c. Any conditions which petitioner requests be imposed.
  - d. A proposed schedule for implementation of the terms and conditions of the agreement.
  - e. The petition may include a recommendation as to any information which should be requested from the parties by the arbitrator pursuant to 47 U.S.C. 252(b)(4)(B). The recommendation should state why the information is necessary for the arbitrator to reach a decision on the unresolved issues.
  - f. A proposed interconnection agreement.
  - g. Any other documents relevant to the dispute, including copies of all documents in their possession or control on which they rely in support of their positions or which they intend to present at the arbitration.

**C. Opportunity to Respond.** The respondent may respond to the petition for arbitration within 25 days of the filing of the petition. The respondent shall respond to all the specific issues raised in the petition for arbitration.**D. Confidentiality.** Petitions, responses, accompanying material, and any documents provided to the Commission pursuant to a request under 47 U.S.C. 252(b)(4)(B) may be subject to the Arizona public disclosure law. However, a petition or response may include a request for issuance of a protective order.**E. Discovery.**

1. Parties must cooperate in good faith in the voluntary, prompt, and informal exchange of all documents and other information relevant to the disputed issues, subject to claims of privilege or confidentiality. Parties must exchange copies of all documents relevant to the dispute, including those on which they rely in support of their position or which they intend to present at the arbitration.

2. At the time of filing of a petition for arbitration, or a response, the petitioner may file discovery requests on the responding party, with an information copy provided to the arbitrator.
  3. Discovery requests not responded to may be submitted to the arbitrator, with a request that the arbitrator order the discovery, pursuant to 47 U.S.C. 252(b)(4)(B). The request should include an explanation of why the information is necessary to reach a decision on the unresolved issues.
  4. Failure to cooperate in discovery may be considered as a failure to negotiate in good faith.
- F. Appointment and Authority of Arbitrator.**
1. Arbitrations will be conducted by Commission Hearing Officers.
  2. The arbitrator will exercise all authority necessary to conduct the arbitration, subject to the provisions of these rules.
  3. The arbitrator may, in the arbitrator's discretion and to the extent practical, consolidate proceedings under 47 U.S.C. 252 in order to reduce administrative burdens on telecommunications carriers, other parties to the proceedings, and the Commission.
  4. The arbitrator may request the assistance of members of the Commission staff in reviewing the petition and accompanying materials, to the extent such staff members have not acted as mediator with respect to the same interconnection agreement between the same parties.
  5. The arbitrator will be authorized to recommend to the Commission a resolution of the disputed issues and any appropriate conditions to be imposed in the form of a Recommended Opinion and Order. The Commission will issue a final decision not later than nine months after the date on which the local exchange carrier received the request to negotiate.
- G. Arbitration Proceeding.** Arbitration allows an opportunity for parties to present their positions. However, arbitration does not require sworn testimony or cross-examination of witnesses. Arbitration proceedings will be conducted pursuant to procedures established by the Hearing Officer.
- H. Fees and Costs.** Each party shall be responsible for bearing its own fees and costs.
- I.** Any person wishing to comment on the Recommended Opinion and Order may do so by filing written comments with the Commission prior to the Commission's final decision.

#### Historical Note

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#### **R14-2-1506. Filing and Service of Request for Approval of Interconnection Agreement**

- A.** An interconnection agreement shall be submitted to the Commission for approval under 47 U.S.C. 252(e) within 30 calendar days of the issuance of the Commission's final decision on the petition for arbitration, in the case of arbitrated agreements, or, in the case of negotiated agreements, within 30 calendar days of the execution of the agreement. The 30-day deadline may be extended by the Commission for good cause.
- B.** An original and 10 copies of requests for approval shall be filed with the Docket Control section of the Commission. Any party to the agreement may submit a request for approval. Unless filed jointly by all parties, the request for approval and any accompanying materials should be served on the other signatories on the day of the filing.
- C.** A request for approval shall include the documentation set out in this subsection. The materials can be filed jointly or separately by the parties to the agreement but should all be filed by the 30-day deadline set out in subsection (A).
1. Negotiated Agreements. The following documentation must be filed:
    - a. A complete copy of the signed agreement, including any attachments or appendices.
    - b. A brief or memorandum summarizing the main provisions of the agreement, setting forth the party's position as to why the agreement should be adopted, including a statement as to why the agreement does not discriminate against nonparty telecommunications carriers, is consistent with the public interest, convenience, and necessity, and is consistent with applicable state law requirements.
  2. Arbitrated Agreements. The following documentation must be filed:
    - a. A complete copy of the signed agreement, including any attachments or appendices.
    - b. A brief or memorandum summarizing the main provisions of the agreement, setting forth the party's position as to why the agreement should or should not be adopted, in whole or in part, and a statement explaining how the agreement, in whole or in part, meets or does not meet each of the applicable specific requirements of 47 U.S.C. 251, including any applicable Federal Communications Commission regulations.
    - c. Complete and specific information to enable the Commission to make the determinations required by 47 U.S.C. 252(d).
    - d. A party may file a statement with the signed interconnection agreement, indicating that it has executed the agreement under protest and does not waive its right to appeal specified provisions of the agreement that were mandated by Order of the Commission.
  3. Combination Agreements (Arbitrated/Negotiated). Any agreement containing both arbitrated and negotiated provisions shall include the foregoing materials as appropriate, depending on whether a provision is negotiated or arbitrated. The memorandum should clearly identify which provisions were negotiated and which were arbitrated.
- D.** Any filing not containing the required materials will be rejected and must be refiled when complete. The statutory timelines will not begin to run until a request has been properly filed.



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- E. Agreements containing both arbitrated and negotiated provisions will be subject to the 30-day deadline specified in 47 U.S.C. 252(e)(4).

**Historical Note**

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**R14-2-1507. Approval Procedure**

- A. Unless otherwise ordered by the Commission, a hearing will not be held for a request for approval of an interconnection agreement.
- B. The Commission will enter an order approving or rejecting the interconnection agreement within 30 days of request for approval of arbitrated agreements and agreements containing both arbitrated and negotiated provisions, or within 90 days of request for approval of negotiated agreements, with written findings as to any deficiencies.

**Historical Note**

Emergency rule adopted effective July 23, 1996, effective for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission; filed with the Office of the Secretary of State July 15, 1996 (Supp. 96-3). Emergency expired. Emergency rule adopted again effective January 17, 1997, for a maximum of 180 days, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 97-1). Emergency expired. New Section adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

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**R14-2-1508. Amendments**

Any amendments to an interconnection agreement shall be filed with the Commission and, if not rejected by the Commission within 30 days of filing, such amended agreements will become effective.

- For negotiated amendments, including amendments resolved by Commission or private mediation, Commission rejection shall be limited to discrimination against nonparty telecommunications carriers, lack of consistency with the public interest, convenience, and necessity, or lack of consistency with applicable state law requirements.
- For amendments resolved through arbitration, whether by the Commission or private arbitrator, Commission rejection

shall be limited to failure to meet any of the applicable specific requirements of 47 U.S.C. 251, including any applicable Federal Communications Commission regulations.

**Historical Note**

Adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1509. Replacement or Subsequent Interconnection Agreements**

Replacement or subsequent interconnection agreements are subject to the provisions of this Article.

**Historical Note**

Adopted effective August 27, 1997, under an exemption as determined by the Arizona Corporation Commission (Supp. 97-3).

**ARTICLE 16. RETAIL ELECTRIC COMPETITION**

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1601. Definitions**

In this Article, unless the context otherwise requires:

- "Affected Utilities" means the following public service corporations providing electric service: Tucson Electric Power Company, Arizona Public Service Company, Citizens Utilities Company, Arizona Electric Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.
- "Aggregation" means the combination and consolidation of loads of multiple customers.
- "Aggregator" means an Electric Service Provider that, as part of its business, combines retail electric customers into a purchasing group.
- "Ancillary Services" means those services designated as ancillary services in Federal Energy Regulatory Commission Order 888, including the services necessary to support the transmission of electricity from resource to load while maintaining reliable operation of the transmission system in accordance with good utility practice.
- "Bundled Service" means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
- "Competition Transition Charge" (CTC) is a means of recovering Stranded Costs.
- "Competitive Services" means all aspects of retail electric service except those services specifically defined as "Noncompetitive Services" pursuant to R14-2-1601(29)

- or noncompetitive services as defined by the Federal Energy Regulatory Commission.
8. “Consumer Education” is the provision of impartial information to consumers about competition or Competitive and Noncompetitive Services and is distinct from advertising and marketing.
  9. “Control Area Operator” is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other such systems and contributing to frequency regulation of the interconnection.
  10. “Current Transformer” (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes.
  11. “Delinquent Accounts” means customer accounts with outstanding past-due payment obligations that remain unpaid after the due date.
  12. “Direct Access Service Request” (DASR) means a form that contains all necessary billing and metering information to allow customers to switch electric service providers. This form must be submitted to the Utility Distribution Company by the customer’s Electric Service Provider.
  13. “Distribution Primary Voltage” is voltage as defined under the Affected Utility’s Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff, except for Meter Service Providers, for which Distribution Primary Voltage is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
  14. “Distribution Service” means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes Metering Services, Meter Reading Services, and billing and collection services, as those terms are used herein.
  15. “Electric Service Provider” (ESP) means a company supplying, marketing, or brokering at retail any Competitive Services pursuant to a Certificate of Convenience and Necessity.
  16. “Electric Service Provider Service Acquisition Agreement” or “Service Acquisition Agreement” means a contract between an Electric Service Provider and a Utility Distribution Company to deliver power to retail end users or between an Electric Service Provider and a Scheduling Coordinator to schedule transmission service.
  17. “Electronic Data Interchange” (EDI) is the computer-to-computer electronic exchange of business documents using standard formats which are recognized both nationally and internationally.
  18. “Generation” means the production of electric power or contract rights to the receipt of wholesale electric power.
  19. “Green Pricing” means a program offered by an Electric Service Provider where customers elect to pay a rate premium for renewable generated electricity.
  20. “Independent Scheduling Administrator” (ISA) is an entity, independent of transmission-owning organizations, intended to facilitate nondiscriminatory retail direct access using the transmission system in Arizona.
  21. “Independent System Operator” (ISO) is an independent organization whose objective is to provide nondiscriminatory and open transmission access to the interconnected transmission grid under its jurisdiction, in accordance with the Federal Energy Regulatory Commission principles of independent system operation.
  22. “Load Profiling” is a process of estimating a customer’s hourly energy consumption based on measurements of similar customers.
  23. “Load-Serving Entity” means an Electric Service Provider, Affected Utility, or Utility Distribution Company, excluding a Meter Service Provider, and Meter Reading Service Provider.
  24. “Meter Reading Service” means all functions related to the collection and storage of consumption data.
  25. “Meter Reading Service Provider” (MRSP) means an entity providing Meter Reading Service, as that term is defined herein and that reads meters, performs validation, editing, and estimation on raw meter data to create billing-ready meter data; translates billing-ready data to an approved format; posts this data to a server for retrieval by billing agents; manages the server; exchanges data with market participants; and stores meter data for problem resolution.
  26. “Meter Service Provider” (MSP) means an entity providing Metering Service, as that term is defined herein.
  27. “Metering and Metering Service” means all functions related to measuring electricity consumption.
  28. “Must-Run Generating Units” are those local generating units that are required to run to maintain distribution system reliability and to meet load requirements in times of congestion on certain portions of the interconnected transmission grid.
  29. “Net Metering” or “Net Billing” is a method by which customers can use electricity from customer-sited solar electric generators to offset electricity purchased from an Electric Service Provider. The customer only pays for the “Net” electricity purchased.
  30. “Noncompetitive Services” means Distribution Service, Standard Offer Service, transmission, and any ancillary services deemed to be non-competitive by the Federal Energy Regulatory Commission, Must-Run Generating Units services, provision of customer demand and energy data by an Affected Utility or Utility Distribution Company to Electric Service Providers, and those aspects of Metering Service set forth in R14-2-1612(K).
  31. “OASIS” is Open Access Same-Time Information System, which is an electronic bulletin board where transmission-related information is posted for all interested parties to access via the Internet to enable parties to engage in transmission transactions.
  32. “Operating Reserve” means the generation capability above firm system demand used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection to provide system reliability.
  33. “Potential Transformer (PT)/Voltage Transformer (VT)” is an electrical device used to step down primary voltages to 120V for metering purposes.
  34. “Provider of Last Resort” means a provider of Standard Offer Service to customers within the provider’s certificated area whose annual usage is 100,000 kWh or less and who are not buying Competitive Services.
  35. “Public Power Entity” incorporates by reference the definition set forth in A.R.S. § 30-801.16.
  36. “Retail Electric Customer” means the person or entity in whose name service is rendered.
  37. “Scheduling Coordinator” means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Con-

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- trol Area Operator, Arizona Independent Scheduling Administrator, or Independent System Operator.
38. “Self-Aggregation” is the action of a retail electric customer that combines its own metered loads into a single purchase block.
39. “Standard Offer Service” means Bundled Service offered by the Affected Utility or Utility Distribution Company to all consumers in the Affected Utility’s or Utility Distribution Company’s service territory at regulated rates including metering, meter reading, billing and collection services, demand side management services including but not limited to time-of-use, and consumer information services. All components of Standard Offer Service shall be deemed noncompetitive as long as those components are provided in a bundled transaction under R14-2-1606(A).
40. “Stranded Cost” includes:
- The verifiable net difference between:
    - The net original cost of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to December 26, 1996, under traditional regulation of Affected Utilities; and
    - The market value of those assets and obligations directly attributable to the introduction of competition under this Article;
  - Reasonable costs necessarily incurred by an Affected Utility to effectuate divestiture of its generation assets;
  - Reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided; and
  - Other transition and restructuring costs as approved by the Commission as part of the Affected Utility’s Stranded Cost determination under R14-2-1607.
41. “System Benefits” means Commission-approved utility low income, demand side management, Consumer Education, environmental, renewables, long-term public benefit research and development, and nuclear fuel disposal and nuclear power plant decommissioning programs, and other programs that may be approved by the Commission from time to time.
42. “Transmission Primary Voltage” is voltage above 25 kV as it relates to metering transformers.
43. “Transmission Service” refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so classified by the Arizona Corporation Commission.
44. “Unbundled Service” means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, Must Run Generation, metering, meter reading, billing and collection, and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.
45. “Universal Node Identifier” is a unique, permanent, identification number assigned to each service delivery point.
46. “Utility Distribution Company” (UDC) means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.
47. “Utility Industry Group” (UIG) refers to a utility industry association that establishes national standards for data formats.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4). Amended by exempt rulemaking at 7 A.A.R. 1661, effective March 30, 2001 (Supp. 01-1).

*Editor’s Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1602. Commencement of Competition**

- A.** An Affected Utility’s customers will be eligible for competitive electric services, subject to the phase-in schedule in R14-2-1604, on the date set by Commission Order in each Affected Utility’s Stranded Cost and Unbundled Tariff proceeding.
- B.** An Affected Utility’s competitive electric affiliates or an affiliate of which it is a member shall not be permitted to offer Competitive Services in any other Affected Utility’s service territory until the Commission has ordered the service area of the potential competitor’s affiliated Affected Utility opened to competition.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Section repealed; new Section adopted by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

*Editor’s Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1603. Certificates of Convenience and Necessity**

- A.** Any Electric Service Provider intending to supply Competitive Services shall obtain a Certificate of Convenience and Necessity from the Commission pursuant to this Article. An Affected Utility need not apply for a Certificate of Convenience and Necessity to continue to provide electric service in its service area during the transition period set forth in R14-2-1604. A Utility Distribution Company providing Standard Offer Service, or services authorized in R14-2-1615, after January 1, 2001, need not apply for a Certificate of Convenience and Necessity. All other Affected Utility affiliates created in compliance with R14-2-1615(A) shall be required to apply for appropriate Certificates of Convenience and Necessity.
- B.** Any company desiring such a Certificate of Convenience and Necessity shall file with the Docket Control Center the required number of copies of an application. In support of the request for a Certificate of Convenience and Necessity, the following information must be provided:

1. A description of the electric services that the applicant intends to offer;
  2. The proper name and correct address of the applicant, and
    - a. The full name of the owner if a sole proprietorship,
    - b. The full name of each partner if a partnership,
    - c. A full list of officers and directors if a corporation, or
    - d. A full list of the members if a limited liability corporation;
  3. A tariff for each service to be provided that states the maximum rate and terms and conditions that will apply to the provision of the service;
  4. A description of the applicant's technical ability to obtain and deliver electricity if appropriate and to provide any other proposed services;
  5. Documentation of the financial capability of the applicant to provide the proposed services, including the most recent income statement and balance sheet, the most recent projected income statement, and other pertinent financial information. Audited information shall be provided if available;
  6. A description of the form of ownership (for example, partnership, corporation);
  7. For an applicant that is an affiliate of an Affected Utility, a statement of whether the Affected Utility has complied with the requirements of R14-2-1616, including the Commission Decision approving the Code of Conduct, where applicable; and
  8. Such other information as the Commission or the staff may request.
- C.** The applicant shall report in a timely manner during the application process any changes in the information initially reported to the Commission in the application for a Certificate of Convenience and Necessity.
- D.** The applicant shall provide public notice of the application as required by the Commission.
- E.** At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected Utilities, Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission in whose service territories it wishes to offer service of the application by providing a copy of the application to the Affected Utilities, Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission. No later than 10 days after application is filed, each applicant shall provide written notice to the Commission, through Docket Control, that it has provided notification to each of the respective Affected Utilities, Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission. The attachment to the CC&N application should include a listing of the names and addresses of the notified Affected Utilities, Utility Distribution Companies or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission.
- F.** The Commission may issue a Certificate of Convenience and Necessity that is effective for a specified period of time if the applicant has limited or no experience in providing the retail electric service that is being requested. An applicant receiving such approval shall have the responsibility to apply for appropriate extensions.
- G.** The Commission may deny certification to any applicant who:
  1. Does not provide the information required by this Article;
  2. Does not possess adequate technical or financial capabilities to provide the proposed services;
  3. Seeks certification as a Load-Serving Entity and does not have an Electric Service Provider Service Acquisition Agreement with a Utility Distribution Company and Scheduling Coordinator, if the applicant is not its own Scheduling Coordinator;
  4. Fails to provide a performance bond, if required;
  5. Fails to demonstrate that its certification will serve the public interest;
  6. Seeks certification as a Load-Serving Entity and fails to submit an executed Service Acquisition Agreement with a Utility Distribution Company or a Scheduling Coordinator for approval by the Director, Utilities Division, prior to the offering of service to potential customers. Agreements are to be filed with the Compliance Section, Utilities Division.
- H.** A Request for approval of an executed Service Acquisition Agreement may be included with an application for a Certificate of Convenience and Necessity. In all negotiations relative to Service Acquisition Agreements, Affected Utilities or their successor entities are required to negotiate in good faith.
- I.** Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:
  1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements relevant to the provision of electric service;
  2. The Electric Service Provider shall maintain accounts and records as required by the Commission;
  3. The Electric Service Provider shall file with the Director, Utilities Division, through the Compliance Section, all financial and other reports that the Commission may require and in a form and at such times as the Commission may designate;
  4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any service standards that the Commission shall require;
  5. The Electric Service Provider shall cooperate with any Commission investigation of customer complaints;
  6. The Electric Service Provider shall obtain all necessary permits and licenses, including relevant tax licenses;
  7. The Electric Service Provider shall comply with all disclosure requirements pursuant to R14-2-1617;
  8. Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.
- J.** In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the applicant may collect from its customers, or order that such advances or deposits be held in escrow or trust.
- K.** Time-frames for processing applications for Certificates of Convenience and Necessity
  1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
  2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
  3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

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4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 180 calendar days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072, et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 120 calendar days;
    - b. Substantive review time-frame: 180 calendar days;
    - c. Overall time-frame: 300 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
2. Any class of customer may aggregate into a minimum combined load of 1 MW or greater within an Affected Utility's service territory and be eligible for competitive electric services. From the commencement of competition under R14-2-1602 through December 31, 2000, aggregation of new competitive customers will be allowed until such time as at least 20% of the Affected Utility's 1995 peak demand is served by competitors.
  3. Affected Utilities shall notify customers eligible under this subsection of the terms of the subsection no later than 60 days prior to the start of competition within its service territory.
  4. Effective January 1, 2001, all Affected Utility customers irrespective of size will be eligible for Aggregation and Self-Aggregation. Aggregation and Self-Aggregation customers purchasing their electricity and related services at any time after the effective date of these rules must do so from a certificated Electric Provider as provided for in these rules.
- B.** As part of the minimum 20% of 1995 system peak demand set forth in subsection (A), each Affected Utility shall reserve a residential phase-in program that provides an increasing minimum percentage of residential customers with access to competitive electric services according to the following schedule:

|                    |        |
|--------------------|--------|
| 1. January 1, 1999 | 1 1/4% |
| April 1, 1999      | 2 1/2% |
| July 1, 1999       | 3 3/4% |
| October 1, 1999    | 5%     |
| January 1, 2000    | 6 1/4% |
| April 1, 2000      | 7 1/2% |
| July 1, 2000       | 8 3/4% |
| October 1, 2000    | 10%    |

2. Access to the residential phase-in program will be on a first-come, first-served basis. The Affected Utility shall create and maintain a waiting list to manage the residential phase-in program, which list shall promptly be made available to any certificated Load-Serving Electric Service Provider upon request.
3. Residential customers participating in the residential phase-in program shall be permitted to use load profiling to satisfy the requirements for hourly consumption data; however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission's rules on metering.
4. If not already done, each Affected Utility shall file a residential phase-in program proposal to the Commission, through Docket Control, for approval by Director, Utilities Division, by September 15, 1999. Interested parties will have until September 30, 1999, to comment on any proposal. At a minimum, the residential phase-in program proposal will include specifics concerning the Affected Utility's proposed:
  - a. Process for customer notification of residential phase-in program;
  - b. Selection and tracking mechanism for customers based on first-come, first-served method;
  - c. Customer notification process and other education and information services to be offered;
  - d. Load Profiling methodology and actual load profiles, if available; and
  - e. Method for calculation of reserved load.
5. After the commencement of competition under R14-2-1602, each Affected Utility shall file quarterly residential phase-in program reports with the Compliance Section, Utilities Division, within 45 days of the end of each quar-

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4).

Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

**Editor's Note:** *The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1604. Competitive Phases**

- A.** At the date established under R14-2-1602(A), each Affected Utility shall make available at least 20% of its 1995 system retail peak demand for competitive generation supply on a first-come, first-served basis as further described in this rule. First-come, first-served, for the purpose of this rule, shall be determined for nonresidential customers by the date and time of an Electric Service Provider's filing of a Direct Access Service Request with the Affected Utility or Utility Distribution Company. The effective date of the Direct Access Service Request must be within 60 days of the filing date of the Direct Access Service Request. Residential customer selection will be determined under approved residential phase-in programs as specified in subsection (B)(4).
1. All Affected Utility customers with single premise non-coincident peak demand load of 1 MW or greater will be eligible for competitive electric services upon the commencement of competition. Customers meeting this requirement shall be eligible for competitive services until at least 20% of the Affected Utility's 1995 system peak demand is served by competition.

ter. The first such report shall be due within 45 days of the first quarter ending after the start of the phase-in of competition for that Affected Utility. The final report due under this rule shall be due within 45 days of the quarter ending December 31, 2002. As a minimum, these quarterly reports shall include:

- a. The number of customers and the load currently enrolled in residential phase-in program by Energy Service Provider,
  - b. The number of customers currently on the waiting list,
  - c. A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs, and
  - d. An overview of comments and survey results from participating residential customers.
6. Aggregation or Self-Aggregation of residential customers is allowed subject to the limitations of the phase-in percentages in this rule.
- C. Each Affected Utility shall file a report by November 1, 1999, detailing possible mechanisms to provide benefits, including rate reductions of 3% - 5%, to all Standard Offer customers.
- D. All customers shall be eligible to obtain competitive electric services no later than January 1, 2001.
- E. Retail consumers served under existing contracts are eligible to participate in the competitive market prior to expiration of the existing contract only if the Affected Utility and the consumer agree that the retail consumer may participate in the competitive market.
- F. Schedule Modifications for Cooperatives
1. An electric cooperative may request that the Commission modify the schedule described in subsections (A) through (E) so as to preserve the tax-exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.
  2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.
  3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

#### Historical Note

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#### R14-2-1605. Competitive Services

Except as provided in R14-2-1615(C), Competitive Services shall require a Certificate of Convenience and Necessity and a tariff as described in R14-2-1603. A properly certificated Electric Service

Provider may offer Competitive Services under bilateral or multi-lateral contracts with retail consumers.

#### Historical Note

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

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#### R14-2-1606. Services Required to be Made Available

- A. On the date its service area is open to competition under R14-2-1602, each Affected Utility or Utility Distribution Company shall make available Standard Offer Service and Noncompetitive Services at regulated rates. After January 1, 2001, Standard Offer Service and Noncompetitive Services shall be provided by Utility Distribution Companies who shall also act as Providers of Last Resort.
- B. After January 1, 2001, power purchased by an investor owned Utility Distribution Company for Standard Offer Service shall be acquired from the competitive market through prudent, arm's length transactions, and with at least 50% through a competitive bid process.
- C. Standard Offer Tariffs
  1. By July 1, 1999, or pursuant to Commission Order, whichever occurs first, each Affected Utility shall file proposed tariffs to provide Standard Offer Service. Such rates shall not become effective until approved by the Commission. Any rate increase proposed by an Affected Utility or Utility Distribution Company for Standard Offer Service must be fully justified through a rate case proceeding.
  2. Standard Offer Service tariffs shall include the following elements, each of which shall be clearly unbundled and identified in the filed tariffs:
    - a. Competitive Services:
      - i. Generation, which shall include all transaction costs and line losses;
      - ii. Competition Transition Charge, which shall include recovery of generation related regulatory assets;
      - iii. Generation-related billing and collection;
      - iv. Transmission Services;
      - v. Metering Services;
      - vi. Meter Reading Services; and
      - vii. Optional Ancillary Services, which shall include spinning reserve service, supplemental reserve, regulation and frequency response service, and energy imbalance service.
    - b. Non-Competitive Services:
      - i. Distribution services;
      - ii. Required Ancillary services, which shall include scheduling, system control and dispatch service, and reactive supply and voltage control from generation sources service;
      - iii. Must-Run Generating Units;
      - iv. System Benefit Charges; and

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- v. Distribution-related billing and collection.
- 3. Affected Utilities and Utility Distribution Companies may file proposed revisions to such rates with the Commission through Docket Control. Any rate increase proposed by an Affected Utility or Utility Distribution Company for Standard Offer Service must be fully justified through a rate case proceeding, which may be expedited at the discretion of the Utilities Division Director.
- 4. Such rates shall reflect the costs of providing the service.
- 5. Consumers receiving Standard Offer Service are eligible for potential future rate reductions as authorized by the Commission.
- 6. After January 2, 2001, tariffs for Standard Offer Service shall not include any special discounts or contracts with terms, or any tariff that prevents the customer from accessing a competitive option, other than time-of-use rates, interruptible rates, or self-generation deferral rates.
- D. By the effective date of these rules, or pursuant to Commission Order, whichever occurs first, each Affected Utility or Utility Distribution Company shall file an Unbundled Service tariff that shall include a Noncompetitive Services tariff. The Unbundled Service tariff shall calculate the items listed in R14-2-1606(C)(2)(b) on the same basis as those items are calculated in the Standard Offer Service tariff.
- E. To manage its risks, an Affected Utility or Electric Service Provider may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.
- F. Affected Utilities and Utility Distribution Companies must accept power and energy delivered to their distribution systems by other Load-Serving Entities and offer distribution and distribution-related ancillary services comparable to services they provide to themselves at their Noncompetitive Services tariffed rates.
- G. Customer Data
  - 1. Upon written authorization by the customer, a Load-Serving Entity shall release in a timely and useful manner that customer's billing data, including consumption, demand, and power factor (if available), for the most recent 12-month period to a customer-specified properly certified Electric Service Provider.
  - 2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
  - 3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.
  - 4. Utility Distribution Companies shall be allowed access to the Meter Reading Service Provider server for customers served by the Utility Distribution Company's distribution system.
- H. Rates for Unbundled Services
  - 1. The Commission shall review and approve rates for Competitive Services and Noncompetitive Services subject to Commission jurisdiction, before such services can be offered.
  - 2. Such rates shall reflect the costs of providing the services.
  - 3. Such rates may be downwardly flexible if approved by the Commission.
- I. Electric Service Providers offering Competitive Services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided as part of the supporting documentation.

**Historical Note**

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sion (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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**R14-2-1607. Recovery of Stranded Cost of Affected Utilities**

- A. The Affected Utilities shall take every reasonable, cost-effective measure to mitigate or offset Stranded Cost by reducing costs, expanding wholesale or retail markets, or offering a wider scope of permitted regulated utility services for profit, among others.
- B. The Commission shall allow a reasonable opportunity for recovery of unmitigated Stranded Cost by Affected Utilities.
- C. The Affected Utilities shall file estimates of unmitigated Stranded Cost on or before July 1, 1999, or pursuant to Commission Order, whichever occurs first. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.
- D. An Affected Utility shall request Commission approval, on or before July 1, 1999, or pursuant to Commission Order, whichever occurs first, of distribution charges or other means of recovering unmitigated Stranded Cost. The filing may include a discounted stranded cost exit methodology that a consumer may choose to use to determine an amount due the Affected Utility in lieu of making monthly distribution charge or other payments.
- E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the Affected Utilities, staff, and intervenors, determine for each Affected Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:
  - 1. The impact of Stranded Cost recovery on the effectiveness of competition;
  - 2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;
  - 3. The impact, if any, on the Affected Utility's ability to meet debt obligations;
  - 4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
  - 5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;
  - 6. The degree to which some assets have values in excess of their book values;
  - 7. Appropriate treatment of negative Stranded Cost;
  - 8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;
  - 9. The applicability of Stranded Cost to interruptible customers.
- F. A Competition Transition Charge (CTC) may be assessed on all retail customers based on the amount of generation purchased from any supplier. Any reduction in electricity pur-

chases from an Affected Utility resulting from self-generation, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer.

- G. Stranded Cost shall be recovered from customer classes in a manner consistent with the specific company's current rate treatment of the stranded asset, in order to effect a recovery of Stranded Cost that is in substantially the same proportion as the recovery of similar costs from customers or customer classes under current rates. In no event shall the Competition Transition Charge be utilized as a mechanism for double recovery of Stranded Cost from Standard Offer Service customers.
- H. The Commission may consider securitization as a financing method for recovery of Stranded Cost of the Affected Utility if the Commission finds that such method of financing will result in a lower cost alternative to customers.
- I. The Commission may, after notice and hearing, order regular revisions to estimates of the magnitude of Stranded Cost.

#### Historical Note

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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#### R14-2-1608. System Benefits Charges

- A. Each Affected Utility or Utility Distribution Company shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's or Utility Distribution Company's service area. Affected Utilities or Utility Distribution Companies shall file for review of the Systems Benefits Charge at least every three years. The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Utility Distribution Companies' Commission-approved System Benefits. Filings shall be made with the Commission through Docket Control.
- B. Each Affected Utility or Utility Distribution Company shall provide adequate supporting documentation for its proposed rates for System Benefits.
- C. An Affected Utility or Utility Distribution Company shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.

#### Historical Note

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action

effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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#### R14-2-1609. Transmission and Distribution Access

- A. The Affected Utilities shall provide nondiscriminatory open access to transmission and distribution facilities to serve all customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's Standard Offer or in the competitive market. Any transmission capacity that is reserved for use by the retail customers of the Affected Utility's Utility Distribution Company shall be allocated among Standard Offer customers and competitive market customers on a pro-rata basis.
- B. Utility Distribution Companies shall retain the obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas. Utility Distribution Companies shall retain the obligation to assure that adequate distribution system capacity is available to meet the load requirements of all distribution customers within their service areas.
- C. The Commission supports the development of Federal Energy Regulatory Commission-approved Regional Transmission Organization (RTO), an Independent System Operator (ISO) or, absent a Regional Transmission Organization or an Independent System Operator, an Arizona Independent Scheduling Administrator (AISA). The Commission believes that such organizations are necessary in order to provide nondiscriminatory retail access and to facilitate a robust and efficient electricity market.
- D. Affected Utilities that own or operate Arizona transmission facilities shall form an Arizona Independent Scheduling Administrator that shall file with the Federal Energy Regulatory Commission within 60 days of this Commission's adoption of final rules herein, for approval of an Independent Scheduling Administrator having the following characteristics:
  1. The Arizona Independent Scheduling Administrator shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants and shall develop and operate an overarching statewide OASIS.
  2. The Arizona Independent Scheduling Administrator shall implement and oversee the nondiscriminatory application of operating protocols to ensure statewide consistency for transmission access. These operating protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, Must-Run Generating Units, energy scheduling, and energy imbalances.
  3. The Arizona Independent Scheduling Administrator shall provide dispute resolution processes that enable market



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- participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use, and curtailment of transmission services.
4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants shall be made to, or through, the Arizona Independent Scheduling Administrator using a single, standardized procedure.
  5. The Arizona Independent Scheduling Administrator shall implement a transmission planning process that includes all Arizona Independent Scheduling Administrator participants and aids in identifying the timing and key characteristics of required reinforcements to Arizona transmission facilities to assure that the future load requirements of all participants will be met.
- E.** If not previously filed, the Affected Utilities that own or operate Arizona transmission facilities shall file a proposed Arizona Independent Scheduling Administrator implementation plan with the Commission, through Docket Control, within 30 days of the Commission's adoption of final rules herein. The implementation plan shall address Arizona Independent Scheduling Administrator governance, incorporation, financing, and staffing; the acquisition of physical facilities and staff by the Arizona Independent Scheduling Administrator; the schedule for the phased development of Arizona Independent Scheduling Administrator functionality and proposed transition to a regional Independent System Operator or Regional Transmission Organization; contingency plans to ensure that critical functionality is in place no later than three months following adoption of final rules herein by the Commission; and any other significant issues related to the timely and successful implementation of the Arizona Independent Scheduling Administrator.
- F.** Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System Operator or Regional Transmission Organization, to which the Arizona Independent Scheduling Administrator should transfer its relevant assets and functions and characteristics as specified in R14-2-1609(D) as the Independent System Operator or Regional Transmission Organization becomes able to carry out those functions. Absent Federal Energy Regulatory Commission approval of an Arizona Independent Scheduling Administrator, the functions and characteristics as specified in R14-2-1609(D) will be assumed by the Independent System Operator or Regional Transmission Organization.
- G.** It is the intent of the Commission that prudently-incurred costs incurred by the Affected Utilities in the establishment and operation of the Arizona Independent Scheduling Administrator, and subsequently the Independent System Operator or Regional Transmission Organization, should be recovered from customers using the transmission system, including the Affected Utilities' wholesale customers, Standard Offer retail customers, and competitive retail customers on a nondiscriminatory basis through Federal Energy Regulatory Commission-regulated prices. Proposed rates for the recovery of such costs shall be filed with the Federal Energy Regulatory Commission and this Commission through Docket Control. In the event that the Federal Energy Regulatory Commission does not permit recovery of prudently incurred Independent Scheduling Administrator costs within 90 days of the date of making an application with the Federal Energy Regulatory Commission, the Commission may authorize Affected Utilities to recover such costs through a distribution surcharge.
- H.** The Commission supports the use of "Scheduling Coordinators" to provide aggregation of customers' schedules to the Independent Scheduling Administrator and the respective Control Area Operators simultaneously until the implementation of a regional Independent System Operator or Regional Transmission Organization, at which time the schedules will be submitted to the Independent System Operator or Regional Transmission Organization. The primary duties of Scheduling Coordinators are to:
1. Forecast their customers' load requirements;
  2. Submit balanced schedules (that is, schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission and distribution line losses) and North American Electric Reliability Council/Western Systems Coordinating Council tags;
  3. Arrange for the acquisition of the necessary transmission and ancillary services;
  4. Respond to contingencies and curtailments as directed by the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization;
  5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization.
- I.** The Affected Utilities and Utility Distribution Companies shall provide services from the Must-Run Generating Units to Standard Offer Service retail customers and competitive retail customers on a comparable, nondiscriminatory basis at regulated prices. The Affected Utilities shall specify the obligations of the Must-Run Generating Units in appropriate sales contracts prior to any divestiture. Under auspices of the Arizona Independent Scheduling Administrator, the Affected Utilities and other stakeholders shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units. These protocols shall be filed with Docket Control for Commission review and, when appropriate, approval, prior to being filed with the Federal Energy Regulatory Commission in conjunction with the Arizona Independent Scheduling Administrator tariff filing. Fixed Must-Run Generating Units costs are to be recovered through a regulated charge to end-use customers. This charge must be set by the Commission as part of the end-use customer distribution service charges.
- J.** The Affected Utilities and other stakeholders, under the auspices of the Arizona Independent Scheduling Administrator, shall identify statewide services to be settled on and develop fair and reasonable pricing mechanisms to assure a consistent and fair settlement process.

**Historical Note**

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#### **R14-2-1610. In-state Reciprocity**

- A. The service territories of Arizona electric utilities that are not Affected Utilities or Public Power Entities shall not be open to competition under the provisions of this Article, nor shall Arizona electric utilities which are not Affected Utilities be able to compete for sales in the service territories of the Affected Utilities.
- B. An Arizona electric utility, subject to the jurisdiction of the Commission, that is not an Affected Utility or a Public Power Entity may voluntarily participate under the provisions of this Article if it makes its service territory available for competing sellers, if it agrees to all of the requirements of this Article, and if it obtains an appropriate Certificate of Convenience and Necessity.
- C. An Arizona electric utility, not subject to the jurisdiction of the Commission, and that is not a Public Power Entity, may submit a statement to the Commission, through Docket Control, stating that it voluntarily opens its service territory for competing sellers in a manner similar to the provisions of this Article. Such statement shall be accompanied by the electric utility's nondiscriminatory Standard Offer Tariff, electric supply tariffs, Unbundled Services rates, Stranded Cost charges, System Benefits charges, Distribution Services charges and any other applicable tariffs and policies for services the electric utility offers, for which these rules otherwise require compliance by Affected Utilities or Electric Service Providers. Such filings shall serve as authorization for such electric utility to utilize the Commission's Rules of Practice and Procedure and other applicable rules concerning any complaint that an Affected Utility or Electric Service Provider is violating any provision of this Article or is otherwise discriminating against the filing electric utility or failing to provide just and reasonable rates in tariffs filed under this Article.
- D. If an electric utility is an Arizona political subdivision or municipal corporation other than a Public Power Entity, then the existing service territory of such electric utility shall be deemed open to competition if the political subdivision or municipality has entered into an intergovernmental agreement with the Commission that establishes nondiscriminatory terms and conditions for Distribution Services and other Unbundled Services, provides a procedure for complaints arising therefrom, and provides for reciprocity with Affected Utilities or their affiliates. The Commission shall conduct a hearing to consider any such intergovernmental agreement.
- E. An affiliate of an Arizona electric utility which is not an Affected Utility or a Public Power Entity shall not be allowed to compete in the service territories of Affected Utilities unless the affiliate's parent company, the nonaffected electric utility, submits a statement to the Commission, through Docket Control, indicating that the parent company will voluntarily open its service territory for competing sellers in a manner similar to the provisions of this Article and the Commission makes a finding to that effect.

#### **Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emer-

gency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1610 renumbered to R14-2-1609; new Section R14-2-1610 renumbered from R14-2-1611 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

**Editor's Note:** *The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

#### **R14-2-1611. Rates**

- A. Market determined rates for Competitive Services, as defined in R14-2-1601 shall be deemed to be just and reasonable.
- B. Each Electric Service Provider selling services under this Article shall have on file with the Commission tariffs describing such services and maximum rates for those services, but the services may not be provided until the Commission has approved the tariffs.
- C. Prior to January 1, 2001, competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is one year or more and for service of 1 MW or more must be filed with the Director, Utilities Division, through the Compliance Section, as soon as practicable. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order. The provisions of such contracts shall be kept confidential by the Commission.
- D. Contracts entered into on or after January 1, 2001, which comply with approved tariffs need not be filed with the Director, Utilities Division. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order.
- E. An Electric Service Provider holding a Certificate pursuant to this Article may price its Competitive Services, at or below the maximum rates specified in its filed tariff, provided that the price is not less than the marginal cost of providing the service.
- F. Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may be filed with the Commission through Docket Control. Such changes shall become effective only upon Commission approval.

#### **Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1611 renumbered to R14-2-1610; new Section R14-2-1611 renumbered from R14-2-1612 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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*Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1612. Service Quality, Consumer Protection, Safety, and Billing Requirements**

- A.** Except as indicated elsewhere in this Article, R14-2-201 through R14-2-212, inclusive, are adopted in this Article by reference. However, where the term “utility” is used in R14-2-201 through R14-2-212, the term “utility” shall pertain to Electric Service Providers providing the services described in each subsection of R14-2-201 through R14-2-212. R14-2-203(E) and R14-2-212(H) shall pertain only to Utility Distribution Companies.
- B.** The following shall not apply to this Article:
1. R14-2-202 in its entirety,
  2. R14-2-206 in its entirety,
  3. R14-2-207 in its entirety,
  4. R14-2-212 (F)(1),
  5. R14-2-213,
  6. R14-2-208(E) and (F).
- C.** No consumer shall be deemed to have changed providers of any service authorized in this Article (including changes from the Affected Utility to another provider) without written authorization by the consumer for service from the new provider. If a consumer is switched to a different (“new”) provider without such written authorization, the new provider shall cause service by the previous provider to be resumed and the new provider shall bear all costs associated with switching the consumer back to the previous provider. A new provider who switches a customer without written authorization shall also refund to the retail electricity customer the entire amount of the customer’s electricity charges attributable to the electric generation service from the new provider for three months, or the period of the unauthorized service, whichever is more. A Utility Distribution Company may request the Commission’s Consumer Services Section to review or audit written authorizations to assure a customer switch was properly authorized. A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. Electric Service Providers shall submit reports within 30 days of the end of each calendar quarter to the Commission, through the Compliance Section, Utilities Division, itemizing the direct complaints filed by customers who have had their Electric Service Providers changed without their authorization. Violations of the Commission’s rules concerning unauthorized changes of providers may result in penalties, or suspension or revocation of the provider’s certificate. The following requirements and restrictions shall apply to the written authorization form requesting electric service from the new provider:
1. The authorization shall not contain any inducements;
  2. The authorization shall be in legible print with clear and plain language confirming the rates, terms, conditions, and nature of the service to be provided;
  3. The authorization shall not state or suggest that the customer must take action to retain the customer’s current electricity supplier;
  4. The authorization shall be in the same language as any promotional or inducement materials provided to the retail electric customer; and
  5. No box or container may be used to collect entries for sweepstakes or a contest that, at the same time, is used to collect authorization by a retail electric customer to change their electricity supplier or to subscribe to other services.
- D.** A residential customer may rescind its authorization to change providers of any service authorized in this Article within three business days, without penalty, by providing written notice to the provider.
- E.** Customer-specific information shall not be released without specific prior written customer authorization unless the information is requested by a law enforcement or other public agency, or is requested by the Commission or its Staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and reliable service to the customer.
- F.** Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. Utility Distribution Companies shall make reasonable efforts to notify customers of scheduled outages and also provide notification to the Commission.
- G.** Each Electric Service Provider shall provide at least 45 days’ written notice to all of its affected consumers of its intent to cease providing generation, transmission, distribution, or ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.
- H.** All Electric Service Providers rendering service under this Article shall submit accident reports, through the Compliance Section, as required in R14-2-101.
- I.** An Electric Service Provider providing firm electric service governed by this Article shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur and shall work cooperatively with other companies to ensure timely restoration of service where facilities are not under the control of the Electric Service Provider.
- J.** Electric Service Providers shall give at least five days’ notice to their customer of scheduled return to Standard Offer Service. Electric Service Providers shall provide 15 calendar days’ notice prior to the next scheduled meter read date to the appropriate Utility Distribution Company regarding the intent to terminate a service agreement. Return of that customer to Standard Offer Service will be at the next regular billing cycle if appropriate metering equipment is in place and the request is provided 15 calendar days prior to the next regular meter read date. Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the Electric Service Provider.
- K.** Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and the toll-free telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll-free telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services rendered on its behalf comply with subsection (A).
- L.** Additional Provisions for Metering and Meter Reading Services
1. When authorized by the consumer, an Electric Service Provider who provides metering or meter reading services pertaining to a particular consumer shall provide appropriate meter reading data via standardized formats, approved by the Director, Utilities Division, to all applicable Electric Service Providers serving that same consumer.
  2. Any person or entity relying on metering information provided by an Electric Service Provider may request a

- meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged.
3. Each competitive point of delivery shall be assigned a Universal Node Identifier by the Affected Utility or the Utility Distribution Company whose distribution system serves the customer.
  4. Unless the Commission grants a specific waiver all competitive metered and billing data shall be translated into consistent, statewide formats, approved by the Director, Utilities Division, that shall be used by the Affected Utility or the Utility Distribution Company and the Electric Service Provider.
  5. Unless the Commission grants a specific waiver, the standardized data exchange formats approved by the Director, Utilities Division, shall be used for all data exchange transactions from the Meter Reading Service Provider to the Electric Service Provider, Utility Distribution Company, and Schedule Coordinator. This data will be transferred via the Internet using a secure sockets layer or other secure electronic media.
  6. Minimum metering requirements for competitive customers over 20 kW, or 100,000 kWh annually, should consist of hourly consumption measurement meters or meter systems. Predictable loads will be permitted to use load profiles to satisfy the requirements for hourly consumption data. The Load-Serving Entity developing the load profile shall determine if a load is predictable.
  7. Competitive customers with hourly loads of 20 kW (or 100,000 kWh annually) or less will be permitted to use Load Profiling to satisfy the requirements for hourly consumption data, however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission rules on Metering.
  8. Metering equipment ownership will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider, or the customer, who must obtain the metering equipment through the Affected Utility, Utility Distribution Company, or an Electric Service Provider.
  9. Maintenance and servicing of the metering equipment (including Current Transformers and Potential Transformers) will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider.
  10. Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, Utility Distribution Company, or the Electric Service Provider.
  11. Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility or Utility Distribution Company only.
  12. North American Electric Reliability Council-recognized holidays will be used in calculating “working days” for meter data timeliness requirements. If a holiday officially occurs on a Saturday, the preceding Friday will be recognized as the date of the holiday. If a holiday officially occurs on a Sunday, the following Monday will be recognized as the date of the holiday.
  13. The Director, Utilities Division shall approve operating procedures to be used by the Utility Distribution Companies and the Meter Service Providers for performing work on primary metered customers.
  14. The Director, Utilities Division shall approve operating procedures to be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.
  15. The Director, Utilities Division shall approve performance metering specifications and standards to be used by all entities performing metering.
- M. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.
  - N. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.
  - O. Billing Elements. After the commencement of competition within a service territory pursuant to R14-2-1602, all customer bills, including bills for Standard Offer Service customers within that service territory, will list, at a minimum, the following billing cost elements:
    1. Competitive Services:
      - a. Generation, which shall include generation-related billing and collection;
      - b. Competition Transition Charge;
      - c. Transmission and Ancillary Services;
      - d. Metering Services; and
      - e. Meter Reading Services.
    2. Non-Competitive Services:
      - a. Distribution services, including distribution-related billing and collection, required Ancillary Services and Must-Run Generating Units; and
      - b. System Benefit Charges
    3. Regulatory assessments; and
    4. Applicable taxes.
    5. In cases where the Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Electric Service Provider is not required to list the billing cost elements for non-competitive services. In cases where the Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Utility Distribution Company is not required to list the billing cost elements for competitive services if the customer is obtaining competitive services from an Electric Service Provider.
  - P. The operating procedures approved by the Director, Utilities Division, will be used for Direct Access Service Requests as well as other billing and collection transactions.

#### Historical Note

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1612 renumbered to R14-2-1611; new Section R14-2-1612 renumbered from R14-2-1613 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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**R14-2-1613. Reporting Requirements**

**A.** Reports covering the following items, as applicable, shall be submitted to the Director, Utilities Division, through the Compliance Section, by Affected Utilities or Utility Distribution Companies and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:

1. Type of services offered;
2. kW and kWh sales to consumers, disaggregated by customer class (for example, residential, commercial, industrial);
3. Revenues from sales by customer class (for example, residential, commercial, industrial);
4. Number of retail customers disaggregated as follows: residential, commercial/industrial under 21 kW, commercial/industrial 21 to 999 kW, commercial/industrial 1000 kW or more, agricultural (if not included in commercial), and other;
5. Retail kWh sales and revenues disaggregated by term of the contract (less than one year, one to four years, longer than four years), and by type of service (for example, firm, interruptible, other);
6. Amount of revenues from each type of Competitive Service and, if applicable, each type of Noncompetitive Service provided (using breakdown from R14-2-1612(O));
7. Value of all assets used to serve Arizona customers and accumulated depreciation;
8. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;
9. The number of customers aggregated and the amount of aggregated load; and
10. Other data requested by staff or the Commission.

**B. Reporting Schedule**

1. For the period through December 31, 2003, semi-annual reports shall be filed by April 15 (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The first such report shall cover the period January 1 through June 30, 1999.
2. For the period after December 31, 2003, annual reports shall be filed by April 15 (covering the previous period of January through December). The first such report shall cover the period January 1 through December 31, 2004.

**C.** The information listed above may, at the provider's option, be provided on a confidential basis. However, staff or the Commission may issue reports with aggregate statistics based on confidential information that do not disclose data pertaining to a particular seller or purchases by a particular buyer.

**D.** Any Electric Service Provider, Affected Utility, or Utility Distribution Company governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.

**E.** Any Electric Service Provider holding a Certificate pursuant to this Article shall file a request in Docket Control to discontinue any competitive tariff as soon as practicable after the decision to discontinue offering service is made.

**F.** In addition to the above reporting requirements, Electric Service Providers, Affected Utilities, and Utility Distribution Companies governed by this Article shall participate in Com-

mission workshops or other forums whose purpose is to evaluate competition or assess market issues.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1613 renumbered to R14-2-1612; new Section R14-2-1613 renumbered from R14-2-1614 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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**R14-2-1614. Administrative Requirements**

**A.** Any Electric Service Provider certificated under this Article may file with the Commission, through Docket Control, proposed additional tariffs for Competitive Services at any time which include a description of the service, maximum rates, terms, and conditions.

**B.** Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.

**C.** The Commission may consider variations or exemptions from the terms or requirements of any of the rules in this Article upon the application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

**D.** The Commission may develop procedures for resolving disputes regarding implementation of retail electric competition.

**E.** Prior to October 1, 1999, the Director, Utilities Division, shall implement a Consumer Education Program as approved by the Commission.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1614 renumbered to R14-2-1613; new Section R14-2-1614 renumbered from R14-2-1615 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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*Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1615. Separation of Monopoly and Competitive Services**

- A.** All competitive generation assets and competitive services shall be separated from an Affected Utility prior to January 1, 2001. Such separation shall either be to an unaffiliated party or to a separate corporate affiliate or affiliates. If an Affected Utility chooses to transfer its competitive generation assets or competitive services to a competitive electric affiliate, such transfer shall be at a value determined by the Commission to be fair and reasonable.
- B.** Beginning January 1, 2001, an Affected Utility or Utility Distribution Company shall not provide Competitive Services as defined in R14-2-1601.
1. This Section does not preclude an Affected Utility or Utility Distribution Company from billing its own customers for distribution service, or from providing billing services to Electric Service Providers in conjunction with its own billing, or from providing Meter Services and Meter Reading Services for Load Profiled residential customers. Nor does this Section preclude an Affected Utility or Utility Distribution Company from providing billing and collections, Metering and Meter Reading Service as part of the Standard Offer Service tariff to Standard Offer Service customers.
  2. This Section does not preclude an Affected Utility or Utility Distribution Company from owning distribution and transmission primary voltage Current Transformers and Potential Transformers.
- C.** An Electric Distribution Cooperative is not subject to the provisions of R14-2-1615 unless it offers competitive electric services outside of its distribution service territory.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Amended by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1615 renumbered to R14-2-1614; new Section R14-2-1615 renumbered from R14-2-1616 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3).

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**R14-2-1616. Code of Conduct**

- A.** If not previously filed, no later than 90 days after adoption of these Rules, each Affected Utility which plans to offer Non-competitive Services and which plans to offer Competitive Services through its competitive electric affiliate shall propose a Code of Conduct to prevent anti-competitive activities. Each Affected Utility that is an electric cooperative, that plans to offer Noncompetitive Services, and that is a member of any electric cooperative that plans to offer Competitive Services shall also submit a Code of Conduct to prevent anti-competitive activities. All Codes of Conduct shall be filed in Docket Control and be subject to Commission approval after a hearing.

- B.** The Code of Conduct shall address the following subjects:
1. Appropriate procedures to prevent cross subsidization between the Utility Distribution Company and any competitive affiliates, including but not limited to the maintenance of separate books, records, and accounts;
  2. Appropriate procedures to ensure that the Utility Distribution Company's competitive affiliate does not have access to confidential utility information that is not also available to other market participants;
  3. Appropriate guidelines to limit the joint employment of personnel by both a Utility Distribution Company and its competitive affiliate;
  4. Appropriate guidelines to govern the use of the Utility Distribution Company's name or logo by the Utility Distribution Company's competitive affiliate;
  5. Appropriate procedures to ensure that the Utility Distribution Company does not give its competitive affiliate any preferential treatment such that other market participants are unfairly disadvantaged or discriminated against;
  6. Appropriate policies to eliminate joint advertising, joint marketing, or joint sales by a Utility Distribution Company and its competitive affiliate;
  7. Appropriate procedures to govern transactions between a Utility Distribution Company and its competitive affiliate; and
  8. Appropriate policies to prevent the Utility Distribution Company and its competitive affiliate from representing that customers will receive better service as a result of the affiliation.
  9. Complaints concerning violations of the Code of Conduct shall be processed under the procedures established in R14-2-212.

**Historical Note**

Adopted effective December 26, 1996, under an exemption as determined by the Arizona Corporation Commission (Supp. 96-4). Section R14-2-1616 repealed by emergency action; emergency new Section adopted by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency amendment replaced by exempt permanent amendment effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1616 renumbered to R14-2-1615; new Section R14-2-1616 adopted by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

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**R14-2-1617. Disclosure of Information**

- A.** Each Load-Serving Entity providing either generation service or Standard Offer Service shall prepare a consumer information label that sets forth the following information:
1. Price to be charged for generation services,
  2. Price variability information,
  3. Customer service information,
  4. Time period to which the reported information applies.
- B.** Each Load-Serving Entity providing either generation service or Standard Offer Service shall provide, upon request, the following information (to the extent reasonably known):
1. Composition of resource portfolio,

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2. Fuel mix characteristics of the resource portfolio,
3. Emissions characteristics of the resource portfolio.
- C. The Director, Utilities Division, shall develop the format and reporting requirements for the consumer information label to ensure that the information is appropriately and accurately reported and to ensure that customers can use the labels for comparisons among Load-Serving Entities. The format developed by the Director, Utilities Division, shall be used by each Load-Serving Entity.
- D. Each Load-Serving Entity shall include the information disclosure label in a prominent position in all written marketing materials specifically targeted to Arizona. When a Load-Serving Entity advertises in nonprint media, or in written materials not specifically targeted to Arizona, the marketing materials shall indicate that the Load-Serving Entity shall provide the consumer information label to the public upon request.
- E. Each Load-Serving Entity shall prepare an annual disclosure report that aggregates the resource portfolios of the Load-Serving Entity and its affiliates.
- F. Each Load-Serving Entity shall prepare a statement of its terms of service that sets forth the following information:
  1. Actual pricing structure or rate design according to which the customer with a load of less than 1 MW will be billed, including an explanation of price variability and price level adjustments that may cause the price to vary;
  2. Length and description of the applicable contract and provisions and conditions for early termination by either party;
  3. Due date of bills and consequences of late payment;
  4. Conditions under which a credit agency is contacted;
  5. Deposit requirements and interest on deposits;
  6. Limits on warranties and damages;
  7. All charges, fees, and penalties;
  8. Information on consumer rights pertaining to estimated bills, third-party billing, deferred payments, and rescission of supplier switches within three days of receipt of confirmation;
  9. A toll-free telephone number for service complaints;
  10. Low income programs and low income rate eligibility;
  11. Provisions for default service;
  12. Applicable provisions of state utility laws; and
  13. Method whereby customers will be notified of changes to the terms of service.
- G. The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:
  1. Prior to the initiation of service for any retail customer,
  2. Prior to processing written authorization from a retail customer with a load of less than 1 MW to change Electric Service Providers,
  3. To any person upon request,
  4. Made a part of the semi-annual and annual reports required by R14-2-1613.
  5. The information described in this subsection shall be posted on any electronic information medium of the Load-serving Entities.
- H. Failure to comply with the rules on information disclosure or dissemination of inaccurate information may result in suspension or revocation of certification or other penalties as determined by the Commission.
- I. The Commission shall establish a consumer information advisory panel to review the effectiveness of the provisions of this Section and to make recommendations for changes in the rules.

1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency adoption replaced by exempt permanent adoption effective December 31, 1998 (Supp. 98-4). Former Section R14-2-1617 repealed; new Section R14-2-1617 renumbered from R14-2-1618 and amended by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). Amended by exempt rulemaking at 6 A.A.R. 4180, effective October 13, 2000 (Supp. 00-4).

*Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General approval provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).*

**R14-2-1618. Environmental Portfolio Standard**

- A. Upon the effective implementation of a Commission-approved Environmental Portfolio Standard Surcharge tariff, any Load-Serving Entity selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least .2% of the total retail energy sold from new solar resources or environmentally-friendly renewable electricity technologies, whether that energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources and environmentally-friendly renewable electricity technologies are those installed on or after January 1, 1997.
  1. Electric Service Providers, that are not UDCs, are exempt from portfolio requirements until 2004, but could voluntarily elect to participate. ESPs choosing to participate would receive a pro rata share of funds collected from the Environmental Portfolio Surcharge delineated in R14-2-1618.A.2 for portfolio purposes to acquire eligible portfolio systems or electricity generated from such systems.
  2. Utility Distribution Companies would recover part of the costs of the portfolio standard through current System Benefits Charges, if they exist, including a re-allocation of demand side management funding to portfolio uses. Additional portfolio standard costs will be recovered by a customer Environmental Portfolio Surcharge on the customers' monthly bill. The Environmental Portfolio Surcharge shall be assessed monthly to every metered and/or non-metered retail electric service. This monthly assessment will be the lesser of \$0.000875 per kWh or:
    - a. Residential Customers: \$.35 per service,
    - b. Non-Residential Customers: \$13 per service,
    - c. Non-Residential Customers whose metered demand is 3,000 kW or more for three consecutive months: \$39.00 per service. In the case of unmetered services, the Load-Serving Entity shall, for purposes of billing the Environmental Portfolio Standard Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.
  3. Customer bills shall reflect a line item entitled "Environmental Portfolio Surcharge, mandated by the Corporation Commission."
  4. Utility Distribution Companies or ESPs that do not currently have a renewables program may request a waiver or modification of this Section due to extreme circumstances that may exist.
- B. The portfolio percentage shall increase after December 31, 2000.

**Historical Note**

Adopted by an emergency action effective August 10,

1. Starting January 1, 2001, the portfolio percentage shall increase annually and shall be set according to the following schedule:

| YEAR      | PORTFOLIO PERCENTAGE |
|-----------|----------------------|
| 2001      | .2%                  |
| 2002      | .4%                  |
| 2003      | .6%                  |
| 2004      | .8%                  |
| 2005      | 1.0%                 |
| 2006      | 1.05%                |
| 2007-2012 | 1.1%                 |

|      |    |
|------|----|
| 1997 | .5 |
| 1998 | .5 |
| 1999 | .5 |
| 2000 | .4 |
| 2001 | .3 |
| 2002 | .2 |
| 2003 | .1 |

Eligibility to qualify for the Early Installation Extra Credit Multiplier would end in 2003. However, any eligible system that was operational in 2003 or before would still be allowed the applicable extra credit for the full five years after operational start-up.

2. The Commission would continue the annual increase in the portfolio percentage after December 31, 2004, only if the cost of environmental portfolio electricity has declined to a Commission-approved cost/benefit point. The Director, Utilities Division shall establish, not later than January 1, 2003, an Environmental Portfolio Cost Evaluation Working Group to make recommendations to the Commission of an acceptable portfolio electricity cost/benefit point or portfolio kWh cost impact maximum that the Commission could use as a criteria for the decision to continue the increase in the portfolio percentage. The recommendations of the Working Group shall be presented to the Commission not later than June 30, 2003. In no event, however, shall the Commission increase the surcharge caps as delineated in R14-2-1618(A)(2).
3. The requirements for the phase-in of various technologies shall be:
  - a. In 2001, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally-friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 10 percent on R&D.
  - b. In 2002 and 2003, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally-friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 5 percent on R&D.
  - c. In 2004, through 2012, the portfolio kWh makeup shall be at least 60 percent solar electric with no more than 40 percent solar hot water or other environmentally-friendly renewable electricity technologies.
- C. Load-Serving Entities shall be eligible for a number of extra credit multipliers that may be used to meet the portfolio standard requirements. Extra credits may be used to meet portfolio requirements and extra credits from solar electric technologies will also count toward the solar electric fraction requirements in R14-2-1618(B)(3). With the exception of the Early Installation Extra Credit Multiplier, which has a five-year life from operational start-up, all other extra credit multipliers are valid for the life of the generating equipment.
  1. Early Installation Extra Credit Multiplier: For new solar electric systems installed and operating prior to December 31, 2003, Load-Serving Entities would qualify for multiple extra credits for kWh produced for five years following operational start-up of the solar electric system. The five-year extra credit would vary depending upon the year in which the system started up, as follows:

| YEAR | EXTRA CREDIT MULTIPLIER |
|------|-------------------------|
|------|-------------------------|

2. Solar Economic Development Extra Credit Multipliers: There are two equal parts to this multiplier, an in-state installation credit and an in-state content multiplier.
  - a. In-State Power Plant Installation Extra Credit Multiplier: Solar electric power plants installed in Arizona shall receive a .5 extra credit multiplier.
  - b. In-State Manufacturing and Installation Content Extra Credit Multiplier: Solar electric power plants shall receive up to a .5 extra credit multiplier related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is .8 X .5).
3. Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier: Any distributed solar electric generator that meets more than one of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.
  - a. Solar electric generators installed at or on the customer premises in Arizona. Eligible customer premises locations will include both grid-connected and remote, non-grid-connected locations. In order for Load-Serving Entities to claim an extra credit multiplier, the Load-Serving Entity must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.
  - b. Solar electric generators located in Arizona that are included in any Load-Serving Entity's Green Pricing program.
  - c. Solar electric generators located in Arizona that are included in any Load-Serving Entity's Net Metering or Net Billing program.
  - d. Solar electric generators located in Arizona that are included in any Load-Serving Entity's solar leasing program.
  - e. All Green Pricing, Net Metering, Net Billing, and Solar Leasing programs must have been reviewed and approved by the Director, Utilities Division in order for the Load-Serving Entity to accrue extra credit multipliers from this subsection.
4. All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if a Load-Serving Entity qualifies for a 2.0 extra credit multiplier and it pro-



- duces 1 solar kWh, the Load-Serving Entity would get credit for 3 solar kWh (1 produced plus 2 extra credit).
- D.** Load-Serving Entities selling electricity under the provisions of this Article shall provide reports on sales and portfolio power as required in this Article, clearly demonstrating the output of portfolio resources, the installation date of portfolio resources, and the transmission of energy from those portfolio resources to Arizona consumers. The Commission may conduct necessary monitoring to ensure the accuracy of these data. Reports shall be made according to the Reporting Schedule in R14-2-1613(B).
- E.** Photovoltaic or solar thermal electric resources that are located on the consumer's premises shall count toward the Environmental Portfolio Standard applicable to the current Load-Serving Entity serving that consumer unless a different Load-Serving Entity is entitled to receive credit for such resources under the provisions of R14-2-1618(C)(3)(a).
- F.** Any solar electric generators installed by an Affected Utility to meet the environmental portfolio standard shall be counted toward meeting renewable resource goals for Affected Utilities established in Decision No. 58643.
- G.** Any Load-Serving Entity that produces or purchases any eligible kWh in excess of its annual portfolio requirements may save or bank those excess kWh for use or sale in future years. Any eligible kWh produced subject to this rule may be sold or traded to any Load-Serving Entity that is subject to this rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Load-Serving Entity that is using the purchased kWh to meet its portfolio requirements.
- H.** Environmental Portfolio Standard requirements shall be calculated on an annual basis, based upon electricity sold during the calendar year.
- I.** A Load-Serving Entity shall be entitled to receive a partial credit against the portfolio requirement if the Load-Serving Entity or its affiliate owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona and sold in a calendar year times 2,190 hours (approximating a 25% capacity factor).
1. The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:
    - 2001: Maximum of 50% of the portfolio requirement
    - 2002: Maximum of 25% of the portfolio requirement
    - 2003 and on: Maximum of 20% of the portfolio requirement
  2. No extra credit multipliers will be allowed for this credit. In order to avoid double-counting of the same equipment, solar electric generators that are used by other Load-Serving Entities to meet their Arizona portfolio requirements will not be allowable for credits under this Section for the manufacturer/Electric Service Provider to meet its portfolio requirements.
- J.** The Director, Utilities Division shall develop appropriate safety, durability, reliability, and performance standards necessary for solar generating equipment and environmentally-friendly renewable electricity technologies and to qualify for the portfolio standard. Standards requirements will apply only to facilities constructed or acquired after the standards are publicly issued.
- K.** A Load-Serving Entity shall be entitled to meet up to 20% of the portfolio requirement with solar water heating systems or solar air conditioning systems purchased by the Load-Serving Entity for use by its customers, or purchased by its customers and paid for by the Load-Serving Entity through bill credits or other similar mechanisms. The solar water heaters must replace or supplement the use of electric water heaters for residential, commercial, or industrial water heating purposes. For the purposes of this rule, solar water heaters will be credited with 1 kWh of electricity produced for each 3,415 British Thermal Units of heat produced by the solar water heater and solar air conditioners shall be credited with kWhs equivalent to those needed to produce a comparable cooling load reduction. Solar water heating systems and solar air conditioning systems shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).
- L.** A Load-Serving Entity shall be entitled to meet the portfolio requirement with electricity produced in Arizona by environmentally-friendly renewable electricity technologies that are defined as in-state landfill gas generators, wind generators, and biomass generators, consistent with the phase-in schedule in R14-2-1618(B)(3). Systems using such technologies shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).

#### Historical Note

Adopted by an emergency action effective August 10, 1998, pursuant to A.R.S. § 41-1026, in effect for a maximum of 180 days (Supp. 98-3). Emergency adoption replaced by exempt permanent adoption effective December 31, 1998 (Supp. 98-4). Section R14-2-1618 renumbered to R14-2-1617 by exempt rulemaking at 5 A.A.R. 3933, effective September 24, 1999 (Supp. 99-3). New Section adopted by exempt rulemaking at 7 A.A.R. 1661, effective March 20, 2001 (Supp. 01-1).

#### ARTICLE 17. RESERVED

#### ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF

##### R14-2-1801. Definitions

- A.** "Affected Utility" means a public service corporation serving retail electric load in Arizona, but excluding any Utility Distribution Company with more than half of its customers located outside of Arizona.
- B.** "Annual Renewable Energy Requirement" means the portion of an Affected Utility's annual retail electricity sales that must come from Eligible Renewable Energy Resources.
- C.** "Conventional Energy Resource" means an energy resource that is non-renewable in nature, such as natural gas, coal, oil, and uranium, or electricity that is produced with energy resources that are not Renewable Energy Resources.
- D.** "Customer Self-Directed Renewable Energy Option" means a Commission-approved program under which an Eligible Customer may self-direct the use of its allocation of funds collected pursuant to an Affected Utility's Tariff.
- E.** "Distributed Generation" means electric generation sited at a customer premises, providing electric energy to the customer load on that site or providing wholesale capacity and energy to the local Utility Distribution Company for use by multiple customers in contiguous distribution substation service areas. The generator size and transmission needs shall be such that the plant or associated transmission lines do not require a Certificate of Environmental Compatibility from the Corporation Commission.
- F.** "Distributed Renewable Energy Requirement" means a portion of the Annual Renewable Energy Requirement that must

be met with Renewable Energy Credits derived from resources that qualify as Distributed Renewable Energy Resources pursuant to R14-2-1802(B).

- G. “Distributed Solar Electric Generator” means electric generation sited at a customer premises, providing electric energy from solar electric resources to the customer load on that site or providing wholesale capacity and energy to the local Utility Distribution Company for use by multiple customers in contiguous distribution substation service areas. The generator size and transmission needs shall be such that the plant or associated transmission lines do not require a Certificate of Environmental Compatibility from the Corporation Commission.
- H. “Eligible Customer” means an entity that pays Tariff funds of at least \$25,000 annually for any number of related accounts or services within an Affected Utility’s service area.
- I. “Extra Credit Multiplier” means a way to increase the Renewable Energy Credits attributable to specific Eligible Renewable Energy Resources in order to encourage specific renewable applications.
- J. “Green Pricing” means a rate option in which a customer elects to pay a tariffed rate premium for electricity derived from Eligible Renewable Energy Resources.
- K. “Market Cost of Comparable Conventional Generation” means the Affected Utility’s energy and capacity cost of producing or procuring the incremental electricity that would be avoided by the resources used to meet the Annual Renewable Energy Requirement, taking into account hourly, seasonal, and long-term supply and demand circumstances. Avoided costs include any avoided transmission and distribution costs and any avoided environmental compliance costs.
- L. “Net Billing” means a system of billing a customer who installs an Eligible Renewable Energy Resource generator on the customer’s premises for retail electricity purchased at retail rates while crediting the customer’s bill for any customer-generated electricity sold to the Affected Utility at avoided cost.
- M. “Net Metering” means a system of metering electricity by which the Affected Utility credits the customer at the full retail rate for each kilowatt-hour of electricity produced by an Eligible Renewable Energy Resource system installed on the customer-generator’s side of the electric meter, up to the total amount of electricity used by that customer during an annualized period, and which compensates the customer-generator at the end of the annualized period for any excess credits at a rate equal to the Affected Utility’s avoided cost of wholesale power. The Affected Utility does not charge the customer-generator any additional fees or charges or impose any equipment or other requirements unless the same is imposed on customers in the same rate class that the customer-generator would qualify for if the customer-generator did not have generation equipment.
- N. “Renewable Energy Credit” means the unit created to track kWh derived from an Eligible Renewable Energy Resource or kWh equivalent of Conventional Energy Resources displaced by Distributed Renewable Energy Resources.
- O. “Renewable Energy Resource” means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.
- P. “Tariff” means a Commission-approved rate designed to recover an Affected Utility’s reasonable and prudent costs of complying with these rules.
- Q. “Utility Distribution Company” means a public service corporation that operates, constructs, or maintains a distribution system for the delivery of power to retail customers.
- R. “Wholesale Distributed Generation Component” means non-utility owners of Eligible Renewable Energy Resources that are located within the distribution system and that do not

require a transmission line over 69 kv to deliver power at wholesale to an Affected Utility to meet its Annual Renewable Energy Requirements.

#### Historical Note

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

#### R14-2-1802. Eligible Renewable Energy Resources

- A. “Eligible Renewable Energy Resources” are applications of the following defined technologies that displace Conventional Energy Resources that would otherwise be used to provide electricity to an Affected Utility’s Arizona customers:
  1. “Biogas Electricity Generator” is a generator that produces electricity from gases that are derived from plant-derived organic matter, agricultural food and feed matter, wood wastes, aquatic plants, animal wastes, vegetative wastes, or wastewater treatment facilities using anaerobic digestion or from municipal solid waste through a digester process, an oxidation process, or other gasification process.
  2. “Biomass Electricity Generator” is an electricity generator that uses any raw or processed plant-derived organic matter available on a renewable basis, including: dedicated energy crops and trees; agricultural food and feed crops; agricultural crop wastes and residues; wood wastes and residues, including landscape waste, right-of-way tree trimmings, or small diameter forest thinnings that are 12” in diameter or less; dead and downed forest products; aquatic plants; animal wastes; other vegetative waste materials; non-hazardous plant matter waste material that is segregated from other waste; forest-related resources, such as harvesting and mill residue, pre-commercial thinnings, slash, and brush; miscellaneous waste, such as waste pellets, crates, and dunnage; and recycled paper fibers that are no longer suitable for recycled paper production, but not including painted, treated, or pressurized wood, wood contaminated with plastics or metals, tires, or recyclable post-consumer waste paper.
  3. “Distributed Renewable Energy Resources” as defined in subsection (B).
  4. “Eligible Hydropower Facilities” are hydropower generators that were in existence prior to 1997 and that satisfy one of the following two criteria:
    - a. New Increased Capacity of Existing Hydropower Facilities: A hydropower facility that increases capacity due to improved technological or operational efficiencies or operational improvements resulting from improved or modified turbine design, improved or modified wicket gate assembly design, improved hydrological flow conditions, improved generator windings, improved electrical excitation systems, increases in transformation capacity, and improved system control and operating limit modifications. The electricity kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the new, incremental kWh output resulting from the capacity increase that is delivered to Arizona customers to meet the Annual Renewable Energy Requirement.
    - b. Generation from pre-1997 hydropower facilities that is used to firm or regulate the output of other eligible, intermittent renewable resources. The electricity kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the kWh actually generated to firm or regulate the output of eligible intermittent Renewable Energy Resources

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- and that are delivered to Arizona customers to meet the Annual Renewable Energy Requirements.
5. “Fuel Cells that Use Only Renewable Fuels” are fuel cell electricity generators that operate on renewable fuels, such as hydrogen created from water by Eligible Renewable Energy Resources. Hydrogen created from non-Renewable Energy Resources, such as natural gas or petroleum products, is not a renewable fuel.
  6. “Geothermal Generator” is an electricity generator that uses heat from within the earth’s surface to produce electricity.
  7. “Hybrid Wind and Solar Electric Generator” is a system in which a Wind Generator and a solar electric generator are combined to provide electricity.
  8. “Landfill Gas Generator” is an electricity generator that uses methane gas obtained from landfills to produce electricity.
  9. “New Hydropower Generator of 10 MW or Less” is a generator, installed after January 1, 2006, that produces 10 MW or less and is either:
    - a. A low-head, micro hydro run-of-the-river system that does not require any new damming of the flow of the stream; or
    - b. An existing dam that adds power generation equipment without requiring a new dam, diversion structures, or a change in water flow that will adversely impact fish, wildlife, or water quality; or
    - c. Generation using canals or other irrigation systems.
  10. “Solar Electricity Resources” use sunlight to produce electricity by either photovoltaic devices or solar thermal electric resources.
  11. “Wind Generator” is a mechanical device that is driven by wind to produce electricity.
- B.** “Distributed Renewable Energy Resources” are applications of the following defined technologies that are located at a customer’s premises and that displace Conventional Energy Resources that would otherwise be used to provide electricity to Arizona customers:
1. “Biogas Electricity Generator,” “Biomass Electricity Generator,” “Geothermal Generator,” “Fuel Cells that Use Only Renewable Fuels,” “New Hydropower Generator of 10 MW or Less,” or “Solar Electricity Resources,” as each of those terms is defined in subsections (A)(1), (A)(2), (A)(5), (A)(6), (A)(9), and (A)(10).
  2. “Biomass Thermal Systems” and “Biogas Thermal Systems” are systems which use fuels as defined in subsections (A)(1) and (A)(2) to produce thermal energy and that comply with Environmental Protection Agency Certification Programs or are permitted by state, county, or local air quality authorities. For purposes of this definition “Biomass Thermal Systems” and “Biogas Thermal Systems” do not include biomass and wood stoves, furnaces, and fireplaces.
  3. “Commercial Solar Pool Heaters” are devices that use solar energy to heat commercial or municipal swimming pools.
  4. “Geothermal Space Heating and Process Heating Systems” are systems that use heat from within the earth’s surface for space heating or for process heating.
  5. “Renewable Combined Heat and Power System” is a Distributed Generation system, fueled by an Eligible Renewable Energy Resource, that produces both electricity and useful renewable process heat. Both the electricity and renewable process heat may be used to meet the Distributed Renewable Energy Requirement.
  6. “Solar Daylighting” is the non-residential application of a device specifically designed to capture and redirect the visible portion of the solar beam, while controlling the infrared portion, for use in illuminating interior building spaces in lieu of artificial lighting.
  7. “Solar Heating, Ventilation, and Air Conditioning” (“HVAC”) is the combination of Solar Space Cooling and Solar Space Heating as part of one system.
  8. “Solar Industrial Process Heating and Cooling” is the use of solar thermal energy for industrial or commercial manufacturing or processing applications.
  9. “Solar Space Cooling” is a technology that uses solar thermal energy absent the generation of electricity to drive a refrigeration machine that provides for space cooling in a building.
  10. “Solar Space Heating” is a method whereby a mechanical system is used to collect solar energy to provide space heating for buildings.
  11. “Solar Water Heater” is a device that uses solar energy rather than electricity or fossil fuel to heat water for residential, commercial, or industrial purposes.
  12. “Wind Generator of 1 MW or Less” is a mechanical device, with an output of 1 MW or less, that is driven by wind to produce electricity.
- C.** Except as provided in subsection (A)(4), Eligible Renewable Energy Resources shall not include facilities installed before January 1, 1997.
- D.** The Commission may adopt pilot programs in which additional technologies are established as Eligible Renewable Energy Resources. Any such additional technologies shall be Renewable Energy Resources that produce electricity, replace electricity generated by Conventional Energy Resources, or replace the use of fossil fuels with Renewable Energy Resources. Energy conservation products, energy management products, energy efficiency products, or products that use non-renewable fuels shall not be eligible for these pilot programs.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1803. Renewable Energy Credits**

- A.** One Renewable Energy Credit shall be created for each kWh derived from an Eligible Renewable Energy Resource.
- B.** For Distributed Renewable Energy Resources, one Renewable Energy Credit shall be created for each 3,415 British Thermal Units of heat produced by a Solar Water Heating System, a Solar Industrial Process Heating and Cooling System, Solar Space Cooling System, Biomass Thermal System, Biogas Thermal System, or a Solar Space Heating System.
- C.** An Affected Utility may transfer Renewable Energy Credits to another party and may acquire Renewable Energy Credits from another party. A Renewable Energy Credit is owned by the owner of the Eligible Renewable Energy Resource from which it was derived unless specifically transferred.
- D.** All transfers of Renewable Energy Credits shall be appropriately documented to demonstrate that the energy associated with the Renewable Energy Credits meets the provisions of R14-2-1802.
- E.** Any contract by an Affected Utility for purchase or sale of energy or Renewable Energy Credits to meet the requirements of this Rule shall explicitly describe the transfer of rights concerning both energy and Renewable Energy Credits.
- F.** Except in the case of Distributed Renewable Energy Resources, Affected Utilities must demonstrate the delivery of energy from Eligible Renewable Energy Resources to their retail consumers such as by providing proof that the necessary

transmission rights were reserved and utilized to deliver energy from Eligible Renewable Energy Resources to the Affected Utility’s system, if transmission is required, or that the appropriate control area operators scheduled the energy from Eligible Renewable Energy Resources for delivery to the Affected Utility’s system.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1804. Annual Renewable Energy Requirement**

- A. In order to ensure reliable electric service at reasonable rates, each Affected Utility shall be required to satisfy an Annual Renewable Energy Requirement by obtaining Renewable Energy Credits from Eligible Renewable Energy Resources.
- B. An Affected Utility’s Annual Renewable Energy Requirement shall be calculated each calendar year by applying the following applicable annual percentage to the retail kWh sold by the Affected Utility during that calendar year:

|            |        |
|------------|--------|
| 2006       | 1.25%  |
| 2007       | 1.50%  |
| 2008       | 1.75%  |
| 2009       | 2.00%  |
| 2010       | 2.50%  |
| 2011       | 3.00%  |
| 2012       | 3.50%  |
| 2013       | 4.00%  |
| 2014       | 4.50%  |
| 2015       | 5.00%  |
| 2016       | 6.00%  |
| 2017       | 7.00%  |
| 2018       | 8.00%  |
| 2019       | 9.00%  |
| 2020       | 10.00% |
| 2021       | 11.00% |
| 2022       | 12.00% |
| 2023       | 13.00% |
| 2024       | 14.00% |
| After 2024 | 15.00% |

The annual increase in the annual percentage for each Affected Utility will be pro rated for the first year based on when the Affected Utility’s funding mechanism is approved.

- C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Annual Renewable Energy Requirement.
- D. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired and cannot be subsequently used to satisfy these rules or any other regulatory requirement.
- E. If an Affected Utility trades or sells environmental pollution reduction credits or any other environmental attributes associated with kWh produced by an Eligible Renewable Energy Resource, the Affected Utility may not apply Renewable Energy Credits derived from that same kWh to satisfy the requirements of these rules.
- F. No more than 20 percent of an Affected Utility’s Annual Renewable Energy Requirement may be met with Renewable Energy Credits derived pursuant to R14-2-1807.
- G. An Affected Utility may ask the Commission to preapprove agreements to purchase energy or Renewable Energy Credits from Eligible Renewable Energy Resources.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R.

2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1805. Distributed Renewable Energy Requirement**

- A. In order to improve system reliability, each Affected Utility shall be required to satisfy a Distributed Renewable Energy Requirement by obtaining Renewable Energy Credits from Distributed Renewable Energy Resources.
- B. An Affected Utility’s Distributed Renewable Energy Requirement shall be calculated each calendar year by applying the following applicable annual percentage to the Affected Utility’s Annual Renewable Energy Requirement:

|            |     |
|------------|-----|
| 2007       | 5%  |
| 2008       | 10% |
| 2009       | 15% |
| 2010       | 20% |
| 2011       | 25% |
| After 2011 | 30% |

The annual increase in the annual percentage for each Affected Utility will be pro rated for the first year based on when the Affected Utility’s funding mechanism is approved.

- C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Distributed Renewable Energy Requirement. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired.
- D. An Affected Utility shall meet one-half of its annual Distributed Renewable Energy Requirement from residential applications and the remaining one-half from non-residential, non-utility applications.
- E. An Affected Utility may satisfy no more than 10 percent of its annual Distributed Renewable Energy Requirement from Renewable Energy Credits derived from distributed Renewable Energy Resources that are non-utility owned generators that sell electricity at wholesale to Affected Utilities. This Wholesale Distributed Generation Component shall qualify for the non-residential portion of the Distributed Renewable Energy Requirement.
- F. Any Renewable Energy Credit created by production of renewable energy which the Affected Utility does not own shall be retained by the entity creating the Renewable Energy Credit. Such Renewable Energy Credit may not be considered used or extinguished by any Affected Utility without approval and proper documentation from the entity creating the Renewable Energy Credit, regardless of whether or not the Commission acknowledged the kWhs associated with non-utility owned Renewable Energy Credits.
- G. The reporting of kWhs associated with Renewable Energy Credits not owned by the utility will be acknowledged.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2). Amended by final rulemaking at 21 A.A.R. 379, effective April 21, 2015 (Supp. 15-1).

**R14-2-1806. Extra Credit Multipliers**

- A. Renewable Energy Credits derived from Eligible Renewable Energy Resources installed after December 31, 2005, shall not be eligible for Extra Credit Multipliers.
- B. The extra Renewable Energy Credits resulting from any applicable multiplier shall be added to the Renewable Energy Credits produced by the Eligible Renewable Energy Resource to determine the total Renewable Energy Credits that may be used to meet an Affected Utility’s Annual Renewable Energy Requirement.
- C. “Early Installation Extra Credit Multiplier.” Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource, a Solar Water Heater, a Solar Space Cooling system,

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a Landfill Gas Generator, a Wind Generator, or a Biomass Electricity Generator that was installed and began operations between January 1, 2001, and December 31, 2003, shall be eligible for an Early Installation Extra Credit Multiplier. Renewable Energy Credits derived from such facilities and acquired by Affected Utilities shall be eligible for five years following the facility's operational start-up. The multiplier shall vary according to the year in which the system began operating:

|      |    |
|------|----|
| 2001 | .3 |
| 2002 | .2 |
| 2003 | .1 |

- D.** "In-state Power Plant Installation Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource that was installed in Arizona on or before December 31, 2005, shall be eligible for an In-state Power Plant Installation Extra Credit Multiplier. The Renewable Energy Credits derived from such a facility and acquired by an Affected Utility shall be multiplied by .5 annually for the life of the facility. The extra Renewable Energy Credits resulting from the multiplier shall be added to the Renewable Energy Credits produced by the Eligible Renewable Energy Resource to determine the total Renewable Energy Credits that may be used to meet an Affected Utility's Annual Renewable Energy Requirement.
- E.** "In-state Manufacturing and Installation Content Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource, a Solar Water Heater, a Solar Space Cooling system, a Landfill Gas Generator, a Wind Generator, or a Biomass Electricity Generator that was installed in Arizona on or before December 31, 2005, and that contains components manufactured in Arizona shall be eligible for an In-state Manufacturing and Installation Content Extra Credit Multiplier. The Renewable Energy Credits derived from such a facility and acquired by an Affected Utility shall be multiplied annually for the life of the facility by a factor determined by multiplying .5 times the percent of Arizona content of the total installed plant.
- F.** "Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Distributed Solar Electric Generator that was installed in Arizona on or before December 31, 2005, shall be eligible for a Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier if the facility meets at least two of the following criteria:
1. The facility is installed on customer premises,
  2. The facility is included in any Affected Utility's approved Green Pricing program,
  3. The facility is included in any Affected Utility's approved Net Metering or Net Billing program,
  4. The facility is included in any Affected Utility's approved solar leasing program, or
  5. The facility is owned by and located on an Affected Utility's property or customer property. The Renewable Energy Credits derived from such a facility and acquired by an Affected Utility shall be multiplied by .5 annually for the life of the facility. Meters will be attached to each solar electric generator and read at least once annually to verify solar performance.
- G.** All multipliers are additive, except that the maximum combined Extra Credit Multiplier shall not exceed 2.0.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1807. Manufacturing Partial Credit**

- A.** An Affected Utility may acquire Renewable Energy Credits to apply to the non-distributed portion of its Annual Renewable Energy Requirement if it or its affiliate owns or makes a significant investment in any solar electric manufacturing plant located in Arizona or if it or its affiliate provides incentives to a manufacturer of solar electric products to locate a manufacturing facility in Arizona.
- B.** The Renewable Energy Credits shall be equal to the nameplate capacity of the solar electric generators produced and sold in a calendar year times 2,190 hours, which approximates a 25 percent capacity factor.
- C.** Extra credit multipliers shall not apply to Renewable Energy Credits created by this Section.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1808. Tariff**

- A.** Within 60 days of the effective date of these rules, each Affected Utility shall file with the Commission a Tariff in substantially the same form as the Sample Tariff set forth in these rules that proposes methods for recovering the reasonable and prudent costs of complying with these rules. The specific amounts in the Sample Tariff are for illustrative purposes only and Affected Utilities may submit, with proper support, Tariff filings with alternative surcharge amounts.
- B.** The Affected Utility's Tariff filing shall provide the following information:
1. Financial information and supporting data sufficient to allow the Commission to determine the Affected Utility's fair value for purposes of evaluating the Affected Utility's proposed Tariff. Information submitted in the format of the Annual Report required under R14-2-212(G)(4) will be the minimum information necessary for filing a Tariff application but Commission Staff may request additional information depending upon the type of Tariff filing that is submitted;
  2. A discussion of the suitability of the Sample Tariff set forth in Appendix A for recovering the Affected Utility's reasonable and prudent costs of complying with these rules;
  3. Data to support the level of costs that the Affected Utility contends will be incurred in order to comply with these rules;
  4. Data to demonstrate that the Affected Utility's proposed Tariff is designed to recover only the costs in excess of the Market Cost of Comparable Conventional Generation; and
  5. Any other information that the Commission believes will be relevant to the Commission's consideration of the Tariff filing.
- C.** The Commission will approve, modify, or deny a Tariff proposed pursuant to subsection (A) within 180 days after the Tariff has been filed. The Commission may suspend this deadline or adopt an alternative procedural schedule for good cause. The Affected Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), and Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B), will be effective upon Commission approval of the Tariff filed pursuant to this Section.
- D.** If an Affected Utility has an adjustor mechanism for the recovery of costs related to Annual Renewable Energy Requirements, the Affected Utility may file a request to reset its adjustor mechanism in lieu of a Tariff pursuant to subsection (A). The Affected Utility's filing shall provide all the informa-

tion required by subsection (B), except that it may omit information specifically related to the fair value determination. The Affected Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), and Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B), will be effective upon Commission approval of the adjustor mechanism rate filed pursuant to this Section.

- E. An Affected Utility may file a rate case pursuant to R14-2-103 in lieu of a Tariff pursuant to subsection (A). The Affected Utility's filing shall provide all information required by subsection (B).

#### Historical Note

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

#### R14-2-1809. Customer Self-Directed Renewable Energy Option

- A. By January 1, 2007, each Affected Utility shall file with Docket Control a Tariff by which an Eligible Customer may apply to an Affected Utility to receive funds to install distributed Renewable Energy Resources. The funds annually received by an Eligible Customer pursuant to this Tariff may not exceed the amount annually paid by the Eligible Customer pursuant to the Affected Utility's Tariff.
- B. An Eligible Customer seeking to participate in this program shall submit to the Affected Utility a written application that describes the Renewable Energy Resources that it proposes to install and the projected cost of the project. An Eligible Customer shall provide at least half of the funding necessary to complete the project described in its application.
- C. All Renewable Energy Credits derived from the project, including generation and Extra Credit Multipliers, shall be applied to satisfy the Affected Utility's Annual Renewable Energy Requirement.

#### Historical Note

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

#### R14-2-1810. Uniform Credit Purchase Program

- A. The Director of the Utilities Division shall establish a Uniform Credit Purchase Program working group, which will study issues related to implementing Distributed Renewable Energy Resources. The working group shall address the consumer participation process, budgets, incentive levels, eligible technologies, system requirements, installation requirements, and any other issues that are relevant to encouraging the implementation of Distributed Renewable Energy Resources. No later than March 1, 2007, the Director of the Utilities Division shall file a staff report with recommendations for Uniform Credit Purchase Programs.
- B. No later than July 1, 2007, each Affected Utility shall file a Uniform Credit Purchase Program for Commission review and approval.

#### Historical Note

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

#### R14-2-1811. Net Metering and Interconnection Standards

The Commission Staff shall host a series of workshops addressing the issues of rate design including Net Metering and interconnection standards. Upon completion of this task, and the adoption of rules or standards, if appropriate, each Affected Utility shall file conforming Net Metering tariffs and interconnection standards in Docket Control.

#### Historical Note

New Section made by final rulemaking at 13 A.A.R.

2389, effective August 14, 2007 (Supp. 07-2).

#### R14-2-1812. Compliance Reports

- A. Beginning April 1, 2007, and every April 1st thereafter, each Affected Utility shall file with Docket Control a report that describes its compliance with the requirements of these rules for the previous calendar year and provides other relevant information. The Affected Utility shall also transmit to the Director of the Utilities Division an electronic copy of this report that is suitable for posting on the Commission's web site.
- B. The compliance report shall include the following information:
1. The actual kWh of energy produced within its service territory and the actual kWh of energy or equivalent obtained from Eligible Renewable Energy Resources, differentiating between kWhs for which the Affected Utility owns the Renewable Energy Credits and kWhs produced in the Affected Utility's service territory for which the Affected Utility does not own the Renewable Energy Credits;
  2. The kWh of energy or equivalent obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production;
  3. The kW of generation capacity, disaggregated by technology type;
  4. Cost information regarding cents per actual kWh of energy obtained from Eligible Renewable Energy Resources and cents per kW of generation capacity, disaggregated by technology type;
  5. A breakdown of the Renewable Energy Credits used to satisfy both the Annual Renewable Energy Requirement and the Distributed Renewable Energy Requirement and appropriate documentation of the Affected Utility's receipt of those Renewable Energy Credits; and
  6. A description of the Affected Utility's procedures for choosing Eligible Renewable Energy Resources and a certification from an independent auditor that those procedures are fair and unbiased and have been appropriately applied.
- C. The Commission may consider all available information and may hold a hearing to determine whether an Affected Utility's compliance report satisfied the requirements of these rules.

#### Historical Note

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2). Amended by final rulemaking at 21 A.A.R. 379, effective April 21, 2015 (Supp. 15-1).

#### R14-2-1813. Implementation Plans

- A. Beginning July 1, 2007, and every July 1st thereafter, each Affected Utility shall file with Docket Control for Commission review and approval a plan that describes how it intends to comply with these rules for the next calendar year. The Affected Utility shall also transmit an electronic copy of this plan that is suitable for posting on the Commission's web site to the Director of the Utilities Division.
- B. The implementation plan shall include the following information:
1. A description of the Eligible Renewable Energy Resources, identified by technology, proposed to be added by year for the next five years and a description of the kW and kWh to be obtained from each of those resources;
  2. The estimated cost of each Eligible Renewable Energy Resource proposed to be added, including cost per kWh and total cost per year;

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3. A description of the method by which each Eligible Renewable Energy Resource is to be obtained, such as self-build, customer installation, or request for proposals;
  4. A proposal that evaluates whether the Affected Utility's existing rates allow for the ongoing recovery of the reasonable and prudent costs of complying with these rules, including a Tariff application that meets the requirements of R14-2-1808 and addresses the Sample Tariff set forth in Appendix A if necessary; and
  5. A line item budget that allocates specific funding for Distributed Renewable Energy Resources, for the Customer Self-Directed Renewable Energy Option, for power purchase agreements, for utility-owned systems, and for each Eligible Renewable Energy Resource described in the Affected Utility's implementation plan.
- C. The Commission may hold a hearing to determine whether an Affected Utility's implementation plan satisfies the requirements of these rules.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1814. Electric Power Cooperatives**

- A. Within 60 days of the effective date of these rules, every electric cooperative that is an Affected Utility shall file with Docket Control an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year and a Tariff that proposes methods for recovering the reasonable and prudent costs of complying with its proposed plan and addresses the Sample Tariff set forth in Appendix A. The cooperative shall also transmit electronic copies of these filings that are suitable for posting on the Commission's web site to the Director of the Utilities Division. Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan.
- B. Beginning July 1, 2007, and every July 1st thereafter, every electric cooperative that is an Affected Utility shall file with Docket Control an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year. The cooperative shall also transmit an electronic copy of this plan that is suitable for posting on the Commission's web site to the Director of the Utilities Division.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1815. Enforcement and Penalties**

- A. If an Affected Utility fails to meet the annual requirements set forth in R14-2-1804 and R14-2-1805, it shall include with its annual compliance report a notice of noncompliance.
- B. The notice of noncompliance shall provide the following information:
1. A computation of the difference between the Renewable Energy Credits required by R14-2-1804 and R14-2-1805 and the amount actually obtained,
  2. A plan describing how the Affected Utility intends to meet the shortfall from the previous calendar year in the current calendar year, and
  3. An estimate of the costs of meeting the shortfall.
- C. If the Commission finds after affording an Affected Utility notice and an opportunity to be heard that the Affected Utility has failed to comply with its implementation plan approved by the Commission as set forth in R14-2-1813, the Commission

may find that the Affected Utility shall not recover the costs of meeting the shortfall described in R14-2-1815(B) in rates.

- D. Nothing herein is intended to limit the actions the Commission may take or the penalties the Commission may impose pursuant to Arizona Revised Statutes, Chapter 2, Article 9. An Affected Utility is entitled to notice and an opportunity to be heard prior to Commission action or imposition of penalties.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**R14-2-1816. Waiver from the Provisions of this Article**

- A. The Commission may waive compliance with any provision of this Article for good cause.
- B. Any Affected Utility may petition the Commission to waive its compliance with any provision of this Article for good cause.
- C. A petition filed pursuant to these rules shall have priority over other matters filed at the Commission.

**Historical Note**

New Section made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**Appendix A. Sample Tariff**

Unless otherwise ordered by the Commission, the renewable energy standard surcharge shall be assessed monthly to every retail electric service. This monthly assessment will be the lesser of \$0.004988 per kWh or:

1. For residential customers, \$1.05 per service;
2. For non-residential customers, \$39.00 per service;
3. For non-residential customers whose metered demand is 3,000 kW or more for three consecutive months, \$117.00 per service;
4. For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

**Historical Note**

New Appendix A made by final rulemaking at 13 A.A.R. 2389, effective August 14, 2007 (Supp. 07-2).

**ARTICLE 19. CONSUMER PROTECTIONS FOR UNAUTHORIZED CARRIER CHANGES**

*Article 19, consisting of R14-2-1901 through R14-2-1913, made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).*

**R14-2-1901. Definitions**

- A. "Authorized Carrier" means any Telecommunications Company that submits, on behalf of a Customer, a change in the Customer's selection of a provider of telecommunications service, with the Subscriber's authorization verified in accordance with the procedures specified in this Article.
- B. "Commission" means Arizona Corporation Commission.
- C. "Customer" means the person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for service, or by the receipt or payment of bills regularly issued in their name regardless of the identity of the actual user of service.
- D. "Executing Telecommunications Carrier" means a Telecommunications Company that effects a request that a Subscriber's Telecommunications Company be changed.
- E. "Letter of Agency" means written authorization, including internet enabled with electronic signature, by a Subscriber authorizing a Telecommunications Company to act on the Subscriber's behalf to change the Subscriber's Telecommunications Company.

- F. “Subscriber” means the Customer identified in the account records of a Telecommunications Company; and any person authorized by such Customer to change telecommunications services or to charge services to the account; or any person contractually or otherwise lawfully authorized to represent such Customer.
- G. “Telecommunications Company” means a public service corporation, as defined in the Arizona Constitution, Article 15, § 2, which provides telecommunications services within the state of Arizona and over which the Commission has jurisdiction.
- H. “Unauthorized Carrier” means any Telecommunications Company that submits, on behalf of a Customer, a change in the Customer’s selection of a provider of telecommunications service without the subscriber’s authorization verified in accordance with the procedures specified in this Article.
- I. “Unauthorized Change” (“slamming”) means a change in a Telecommunications Company submitted on behalf of a Subscriber that was not authorized in accordance with R14-2-1904 or not verified in accordance with R14-2-1905.
- J. “Unauthorized Charge” means any charge incurred as a result of an Unauthorized Change.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1902. Purpose and Scope**

These rules shall be interpreted to ensure that all Customers in this state are protected from an Unauthorized Change in their intra-LATA, or interLATA long-distance Telecommunications Company. The rules shall be interpreted to promote satisfactory service to the public by local and intraLATA or interLATA long-distance Telecommunications Companies and to establish the rights and responsibilities of both company and Customer. The rules shall be interpreted to establish liability standards and penalties to ensure compliance.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1903. Application**

These rules apply to each Telecommunications Company. These rules do not apply to providers of wireless, cellular, personal communications services, or commercial mobile radio services.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1904. Authorized Telecommunications Company Change Procedures**

- A. A Telecommunications Company shall not submit a change on behalf of a Subscriber prior to obtaining authorization from the Subscriber and obtaining verification of that authorization in accordance with R14-2-1905.
- B. A Telecommunications Company submitting a change shall maintain and preserve records of verification of individual Subscriber authorization for 24 months.
- C. An Executing Telecommunications Carrier shall not contact the Subscriber to verify the Subscriber’s selection received from a Telecommunications Company submitting a change.
- D. An Executing Telecommunications Carrier shall execute such changes as promptly as reasonable business practices will permit, which shall not exceed 10 business days from the receipt of a change notice from a submitting Telecommunications Company. The Executing Telecommunications Carrier shall have no liability for processing an Unauthorized Change.

- E. If a Telecommunications Company is selling more than one type of service, for example, local, intraLATA, or interLATA, it may obtain authorizations from the Subscriber for all services authorized during a single contact.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1905. Verification of Orders for Telecommunications Service**

- A. A Telecommunications Company shall not submit a change order unless it confirms the order by one of the following methods:
1. The Telecommunications Company obtains the Subscriber’s written authorization, including internet enabled authorization with electronic signature, in a form that meets the requirements of this Section.
  2. The Telecommunications Company obtains the Subscriber’s electronic or voice-recorded authorization for the change that meets the requirements of this Section.
  3. An independent third party, qualified under the criteria set forth in subsection (F), obtains and records the Subscriber’s verbal authorization for the change that confirms and includes appropriate verification data pursuant to the requirements of this Section.
- B. Written authorization obtained by a Telecommunications Company shall:
1. Be a separate document containing only the authorizing language in accordance with verification procedures of this Section,
  2. Have the sole purpose of authorizing a Telecommunications Company change, and
  3. Be signed and dated by the Subscriber requesting the Telecommunications Company change.
- C. A Letter of Agency may be combined with a marketing check subject to the following requirements. The Letter of Agency when combined with a marketing check shall not contain promotional language or material. The Letter of Agency when combined with a marketing check shall have on its face and near the endorsement line a notice in bold-face type that the Subscriber authorizes a Telecommunications Company change by signing the check. The notice shall be in easily readable, bold-face type and shall be written in both English and Spanish, as well as in any other language which was used at any point in the sales transaction. If a Telecommunications Company cannot comply with the requirements of this Section, it may not combine a Letter of Agency with a marketing check.
- D. An electronically signed Letter of Agency is valid written authorization.
- E. A Telecommunications Company that obtains a Subscriber’s electronic voice recorded authorization shall confirm the Customer identification and service change information. If a Telecommunications Company elects to verify sales by electronic voice recorded authorization, it shall establish one or more toll-free telephone numbers exclusively for that purpose. A call to the toll-free number shall connect the Subscriber to a recording mechanism that shall record the following information regarding the Telecommunications Company change:
1. The identity of the Subscriber,
  2. Confirmation that the person on the call is authorized to make the Telecommunications Company change,
  3. Confirmation that the person on the call wants to make the Telecommunications Company change,
  4. The name of the newly authorized Telecommunications Company,
  5. The telephone numbers to be switched, and



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6. The types of service involved.
- F.** A Telecommunications Company that verifies a Subscriber's authorization by an independent third party shall comply with the following:
1. The independent third party shall not be owned, managed, or controlled by the Telecommunications Company or the company's marketing agent.
  2. The independent third party shall not have any financial incentive to verify that Telecommunications Company change orders are authorized.
  3. The independent third party shall operate in a location physically separate from the Telecommunications Company or the company's marketing agent.
  4. The independent third party shall inform the Subscriber that the call is being recorded and shall record the Subscriber's authorization to change the Telecommunications Company.
  5. All third party verification methods shall elicit and record, at a minimum:
    - a. The identity of the Subscriber,
    - b. Confirmation that the person on the call is authorized to make the Telecommunications Company change,
    - c. Confirmation that the person on the call wants to make the Telecommunications Company change,
    - d. The name of the newly authorized Telecommunications Company,
    - e. The telephone numbers to be switched, and
    - f. The types of service involved.
  6. The independent third party shall conduct the verification in the same language as was used in the initial sales transaction.
1. Pay all charges to the original Telecommunications Company associated with returning the Subscriber to the original Telecommunications Company as promptly as reasonable business practices will permit, but no later than 30 business days from the date of the alleged Unauthorized Carrier's failure to confirm authorization of the change;
  2. Absolve the Subscriber of all charges incurred during the first 90 days of service provided by the alleged Unauthorized Carrier if a Subscriber has not paid charges to the alleged Unauthorized Carrier;
  3. Forward relevant billing information to the original Telecommunications Carrier within 15 business days of a Subscriber's notification. The original Telecommunications Company may not bill the Subscriber for unauthorized service charges during the first 90 days of the alleged Unauthorized Carrier's service but may thereafter bill the Subscriber at the original Telecommunications Company's rates; and
  4. Refund to the original Telecommunications Company, 100% of any alleged Unauthorized Carrier's charges that a Subscriber paid to the alleged Unauthorized Carrier. The original Telecommunications Company shall apply the credit of 100% to the Subscriber's authorized charges.
- D.** Until the alleged Unauthorized Carrier certifies with supporting documentation to the Subscriber that the change was verified pursuant to R14-2-1905, the billing Telecommunications Company shall not:
1. Suspend, disconnect, or terminate telecommunications service to a Subscriber who disputes any billing charge pursuant to this Section or for nonpayment of a charge related to an unauthorized change unless requested by the Subscriber, or
  2. File an unfavorable credit report against a Customer who has not paid charges that the Subscriber has alleged were unauthorized.
- E.** The Customer shall remain obligated to pay any charges that are not disputed.
- F.** The alleged Unauthorized Carrier shall maintain and preserve individual Customer records of Unauthorized Change complaints for 24 months.
- G.** Each occurrence of slamming to an individual account shall constitute a separate violation of this Article, subject to individual enforcement actions and penalties as prescribed herein.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1906. Notice of Change**

When an Authorized Carrier changes a Subscriber's service, the Authorized Carrier, or its billing and collection agent, shall clearly and conspicuously identify any change in service provider, including the name of the new Authorized Carrier and its telephone number on a bill, a bill insert, or in a separate mailing to the Subscriber. The notice of change shall be printed in both English and Spanish.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1907. Unauthorized Changes**

- A.** A Subscriber shall notify the alleged Unauthorized Carrier within a reasonable period of time after receiving notice of an Unauthorized Change. Any period of time of 60 days or less shall automatically be presumed to be reasonable, and any period of time longer than 60 days may be reasonable based on the circumstances.
- B.** After a Subscriber notifies the alleged Unauthorized Carrier that the change was unauthorized, the alleged Unauthorized Carrier shall take all actions within its control to facilitate the Subscriber's return to the original Telecommunications Company as promptly as reasonable business practices will permit, but no later than five business days from the date of the Subscriber's notification to it.
- C.** If an alleged Unauthorized Carrier has been notified that an Unauthorized Change has occurred and the alleged Unauthorized Carrier cannot verify within five business days that the change was authorized pursuant to R14-2-1905, the alleged Unauthorized Carrier shall:

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1908. Notice of Subscriber Rights**

- A.** A Telecommunications Company shall provide to each of its Subscribers notice of the Subscriber's rights regarding Unauthorized Changes and Unauthorized Charges.
- B.** The Subscriber notice shall include the following:
1. The name, address and telephone numbers where a Subscriber can contact the Telecommunications Company;
  2. A Telecommunications Company is prohibited from changing telecommunications service to another company without the Subscriber's permission;
  3. A Telecommunications Company that has switched telecommunications service without the Subscriber's permission is required to pay all charges associated with returning the Customer to the original Telecommunications Company as promptly as reasonable business practices will permit, but no later than 30 business days from the Subscriber's request;

4. An Unauthorized Carrier shall absolve a Subscriber of all unpaid charges which were incurred during the first 90 days of service provided by the Unauthorized Carrier;
  5. If a Subscriber incurred charges for service provided during the first 90 days of service with the Unauthorized Carrier, the Unauthorized Carrier shall forward the relevant billing information to the original Telecommunications Company. The original Telecommunications Company may not bill the Subscriber for unauthorized service charges during the first 90 days of the Unauthorized Carrier's service but may thereafter bill the Subscriber at the original Telecommunications Company's rates;
  6. If a Subscriber has paid charges to the Unauthorized Carrier, the Unauthorized Carrier must pay 100% of the charges to the original Telecommunications Company and the original Telecommunications Company shall apply the 100% as credit to the Customer's authorized charges;
  7. A Subscriber who has been slammed can contact the Unauthorized Carrier to request the service be changed back in accordance with R14-2-1907;
  8. A Subscriber who has been slammed can report the Unauthorized Change to the Arizona Corporation Commission;
  9. The name, address, web site, and toll free consumer services telephone number of the Arizona Corporation Commission; and
  10. A Subscriber can request their local exchange company place a freeze on the Customer's long distance telecommunications service account.
- C.** Distribution, language, and timing of notice.
1. A Telecommunications Company shall provide the notice described in this Section to new Customers at the time service is initiated, and upon a Subscriber's request.
  2. A Telecommunications Company that publishes a telephone directory or contracts for publication of a telephone directory, shall arrange for the notice to appear in the white pages of its annual telephone directory.
  3. A Telecommunications Company with a web site shall display the notice described in this Section on the company's web site.
  4. The notice of subscriber rights described in this Section shall be written in both English and Spanish.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1909. Customer Account Freeze**

- A.** A Customer account freeze prevents a change in a Subscriber's intraLATA and interLATA Telecommunications Company selection until the Subscriber gives consent to lift the freeze to the local exchange company that implemented the freeze.
- B.** A local exchange company that offers a freeze shall do so on a nondiscriminatory basis to all Subscribers.
- C.** A Telecommunications Company that offers information on freezes shall clearly distinguish intraLATA and interLATA telecommunications services.
- D.** A local exchange carrier shall not implement or remove a freeze without authorization obtained consistent with R14-2-1904 and verification consistent with R14-2-1905. However, a local exchange carrier shall remove a freeze if authorized by the subscriber in a three-way conference call meeting the requirements of 47 C.F.R. 64.1190(e)(2) incorporated by reference. This reference to 47 C.F.R. 64.1190(e)(2) is to the ver-

sion in effect as of January 1, 2004 and no future editions or amendments. Copies of 47 C.F.R. 64.1190(3)(2) are available from the Federal Communications Commission at 445 12th Street SW, Washington D.C. 20554 and at the offices of the Arizona Corporations Commission at 1200 W. Washington Street, Phoenix, Arizona 85007 and online at [www.gpoaccess.gov](http://www.gpoaccess.gov) and are on file with the Office of the Secretary of State.

- E.** A Telecommunications Company shall not charge the Customer for imposing or removing a freeze except under a Commission approved tariff.
- F.** A Telecommunications Company shall maintain records of all freeze authorizations and repeals for the duration of the Customer account freeze or at least 24 months following the cancellation of the Customer account freeze or discontinuance of service provided to that account.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1910. Informal Complaint Process**

- A.** A Subscriber may file an informal complaint within 90 days of receiving notice of an Unauthorized Charge, or, thereafter, upon a showing of good cause. The complaint shall be submitted to the Commission Staff in writing, telephonically, or via electronic transmission, and shall include:
  1. Complainant's name, address, telephone number;
  2. The names of the Telecommunications Companies involved;
  3. The approximate date of the alleged Unauthorized Change;
  4. A statement of facts, including documentation, to support the complainant's allegation;
  5. The amount of any disputed charges, including any amount already paid; and
  6. The specific relief sought.
- B.** Commission Staff shall:
  1. Assist the parties in resolving the informal complaint;
  2. Notify the Executing Telecommunications Company, original Telecommunications Company, and alleged Unauthorized Carrier of the alleged Unauthorized Change;
  3. Require the alleged Unauthorized Carrier to provide an initial response within five business days of receipt of notice from the Commission;
  4. Require the alleged Unauthorized Carrier to provide documentation of the Subscriber's authorization. If such information is not provided to Staff within 10 business days of the initial Staff notification, Staff shall presume that an Unauthorized Change occurred;
  5. Advise the Telecommunications Company that it shall provide Staff with any additional information requested by Staff within 10 business days of Staff's request; and
  6. Inform the Telecommunications Company that failure to provide the requested information or a good faith response to Commission Staff within 15 business days shall be deemed an admission to the allegations contained within the request and the Telecommunications Company shall be deemed in violation of the applicable provisions of this Article.
- C.** If the parties do not resolve the matter, the Staff will conduct a review of the informal complaint and related materials to determine if an Unauthorized Change has occurred, which review shall be completed within 30 days of the Staff's receipt of the informal complaint.

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- D. Upon conclusion its review, Staff shall render a written summary of its findings and recommendation to all parties. Staff's written summary is not binding on any party. Any party shall have the right to file a formal complaint with the Commission under A.R.S. § 40-246. Staff's written summary shall not be admissible in the formal complaint proceeding.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1911. Compliance and Enforcement**

- A. A Telecommunications Company shall provide a copy of its records of Subscriber verification and Unauthorized Changes maintained under the requirements of this Article to Commission Staff upon request.
- B. If the Commission finds that a Telecommunications Company is in violation of this Article, the Commission shall order the company to take corrective action as necessary, and the Commission may impose such penalties as are authorized by law. The Commission may sanction a Telecommunications Company in violation of this Article by prohibiting further solicitation of new customers for a specified period, or by revocation of its Certificate of Convenience and Necessity. The Commission may take any other enforcement actions authorized by law.
- C. The Commission Staff shall coordinate its enforcement efforts regarding the prosecution of fraudulent, misleading, deceptive, and anti-competitive business practices with the Arizona Attorney General.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1912. Severability**

If any provision of this Article is found to be invalid, it shall be deemed severable from the remainder of this Article and the remaining provisions of this Article shall remain in full force and effect.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-1913. Script Submission**

- A. Each Telecommunications Company shall file under seal in a docket designated by the Director of the Utilities Division ("Director") a copy of all sales or marketing scripts used by its (or its agent's) sales or customer service workers. For the purpose of this rule, "sales or marketing scripts" means all scripts that involve proposing a change in Telecommunications Company or responding to an inquiry regarding a possible change in Telecommunications Company.
- B. A Telecommunications Company shall make the filing described in R14-2-1913(A) at the following times:
1. 90 days from the day these rules are first published in a Notice of Final Rulemaking in the Arizona Administrative Register;
  2. On April 15 of each year;
  3. Whenever directed to do so by the Director; and
  4. Whenever a material change to a script occurs or a new script is used that is materially difference from a script on file with the Director.
- C. The Director may request further information or clarification on any script, and the Telecommunications Company shall respond to the Director's request within 10 days.
- D. The Director may initiate a formal complaint under R14-3-101 through R14-3-113 to review any script. The failure to file

such a complaint or request further information or clarification does not constitute approval of the script, and the fact that the script is on file with the Commission may not be used as evidence that the script is just, reasonable, or not fraudulent.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**ARTICLE 20. CONSUMER PROTECTIONS FOR UNAUTHORIZED CARRIER CHARGES**

*Article 20, consisting of R14-2-2001 through R14-2-2011, made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).*

**R14-2-2001. Definitions**

- A. "Commission" means the Arizona Corporation Commission.
- B. "Customer" means the person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for service, or by the receipt or payment of bills regularly issued in their name regardless of the identity of the actual user of service.
- C. "Subscriber" means the Customer identified in the account records of a Telecommunications Company; any person authorized by such Customer to change telecommunications services or to charge services to the account; or any person contractually or otherwise lawfully authorized to represent such Customer.
- D. "Telecommunications Company" means a public service corporation, as defined in the Arizona Constitution, Article 15, § 2, that provides telecommunications services within the state of Arizona and over which the Commission has jurisdiction. The phrase "Telecommunications Company" does not include providers of wireless, cellular, personal communications services, or commercial mobile radio services.
- E. "Unauthorized Charge" ("cramming") means any recurring charge on a Customer's telephone bill that was not authorized or verified in compliance with R14-2-2005. This does not include one-time pay-per-use charges or taxes and other surcharges that have been authorized by law to be passed through to the Customer.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2002. Purpose and Scope**

The provisions of this Article shall be interpreted to ensure all Customers in this state are protected from Unauthorized Charges on their bill from a Telecommunications Company.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2003. Application**

This Article applies to each Telecommunications Company.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2004. Requirements for Submitting Authorized Charges**

- A. A Telecommunications Company shall provide its billing agent with its name, telephone number, and a list with detailed descriptions of the products and services it intends to charge on a Customer's bill so that the billing agent may accurately identify the product or service on the Customer's bill.

- B. A Telecommunications Company or its billing agent shall specify the product or service being billed and all associated charges.
- C. A Telecommunications Company or its billing agent shall provide the Subscriber with a toll-free telephone number the Subscriber may call for billing inquiries.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2005. Authorization Requirements**

- A. A Telecommunications Company shall record the date of a service request and shall obtain from the Subscriber requesting a product or service the following:
  1. The name and telephone number of the Customer,
  2. Verification that Subscriber is authorized to order the product or service, and
  3. Explicit Subscriber acknowledgement that the charges will be assessed on the Customer's bill.
- B. A Telecommunications Company shall communicate the following information to a Subscriber requesting a product or service:
  1. An explanation of each product or service offered,
  2. An explanation of all applicable charges,
  3. A description of how the charge will appear on the Customer's bill,
  4. An explanation of how a product or service can be cancelled, and
  5. A toll-free telephone number for Subscriber inquiries.
- C. The authorization required by R14-2-2005(A) and the communications required by R14-2-2005(B) shall be given in all languages used at any point in the sales transaction. At the beginning of any sales transaction, the Telecommunications Company must offer to conduct the transaction in English or Spanish and must comply with the Customer's choice or shall not complete the transaction.
- D. During each contact in which the Telecommunications Company offers to establish residential service or in which a person requests the establishment of residential service, the Telecommunications Company shall inform the subscriber of the cost of "basic local exchange telephone service" as defined in R14-2-1201(6), if provided. A Telecommunications Company shall not use the term "basic" or any other misleading language in describing any product or service. The term "basic" can only be used for a plan that includes only basic local exchange telephone service.
- E. The individual Subscriber authorization record shall be maintained by the Telecommunications Company for 24 months.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2006. Unauthorized Charges**

- A. Upon discovery of an Unauthorized Charge or upon notification by a Subscriber of an Unauthorized Charge, the billing Telecommunications Company shall:
  1. Immediately cease charging the Customer for the unauthorized product or service;
  2. Remove the Unauthorized Charge from the Customer's bill within 45 days;
  3. Refund or credit to the Customer all money paid by the Customer at the Customer's option for any Unauthorized Charge. If any Unauthorized Charge is not refunded or credited within two billing cycles, the Telecommunications Company shall pay interest on the amount of any Unauthorized Charges at an annual rate established by the

- Commission until the Unauthorized Charge is refunded or credited;
- 4. Provide the Subscriber all billing records under the control of the Telecommunications Company related to any Unauthorized Charge. The billing records shall be provided within 15 business days of the Subscriber's notification; and
- 5. Maintain a record of each Unauthorized Charge of every Customer who has experienced any Unauthorized Charge for 24 months. The record shall include:
  - a. The name of the Telecommunications Company,
  - b. Each affected telephone number,
  - c. The date the Subscriber requested the Unauthorized Charge be removed from the Customer's bill, and
  - d. The date the Customer was refunded or credited the amount that the Customer paid for any Unauthorized Charge.
- B. After a charge is removed from the Customer's bill, the Telecommunications Company shall not rebill the charge unless one of the following occurs:
  1. The Subscriber and the Telecommunications Company agree the customer was accurately billed.
  2. The Telecommunications Company certifies with supporting documentation to the Subscriber that the charge was authorized pursuant to R14-2-2005.
  3. A determination is made pursuant to R14-2-2008 that the charge was authorized.
- C. Until a charge is reinstated pursuant to subsection (B), a Telecommunications Company shall not:
  1. Suspend, disconnect, or terminate telecommunications service to a Subscriber who disputes any billing charge pursuant to this Article or for nonpayment of an alleged Unauthorized Charge unless requested by the Subscriber; or
  2. File an unfavorable credit report against a Customer who has not paid charges that the Subscriber has alleged were unauthorized.
- D. The Customer shall remain obligated to pay any charges that are not disputed.
- E. Each occurrence of cramming an individual account shall constitute a separate violation of this Article, subject to individual enforcement actions and penalties as prescribed herein.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2007. Notice of Subscriber Rights**

- A. A Telecommunications Company shall provide to each of its Subscribers a notice of the Subscriber's rights regarding Unauthorized Charges.
- B. The notice may be combined with the notice required by R14-2-1908.
- C. The notice shall include the following:
  1. The name, address and telephone number where a Subscriber can contact the Telecommunications Company;
  2. A statement that a Telecommunications Company is prohibited from adding products and services to a Customer's account without the Subscriber's authorization;
  3. A statement that the Telecommunications Company is required to return the service to its original service provisions if an Unauthorized Charge is added to a Customer's account;
  4. A statement that the Telecommunications Company shall not charge for returning the Customer to their original service provisions;
  5. A statement that the Telecommunications Company must refund or credit, at the Customer's option, to the Customer

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tomers any amount paid for any Unauthorized Charge. If any Unauthorized Charge is not refunded or credited within two billing cycles, the Telecommunications Company shall pay interest on the amount of any Unauthorized Charges at an annual rate established by the Commission until the Unauthorized Charge is refunded or credited;

6. A statement that a Customer who has been crammed can report the Unauthorized Charge to the Arizona Corporation Commission; and
7. The name, address, web site, and toll-free consumer services telephone number of the Arizona Corporation Commission.

**D. Distribution, language, and timing of notice.**

1. A Telecommunications Company shall provide the notice described in this Section to new Customers at the time service is initiated, and upon Subscriber's request.
2. A Telecommunications Company that publishes a telephone directory or contracts for publication of a telephone directory, shall arrange for the notice to appear in the white pages of its annual telephone directory.
3. A Telecommunications Company with a web site shall display the notice described in this Section on the company's web site.
4. The notice of subscriber rights described in this Section shall be written in both English and Spanish.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2008. Informal Complaint Process**

- A.** A Subscriber may file an informal complaint within 90 days of receiving notice of an Unauthorized Charge, or, thereafter, upon a showing of good cause. The complaint shall be submitted to the Commission Staff in writing, telephonically or via electronic transmission, and shall include:
  1. Complainant's name, address, telephone number;
  2. The name of the Telecommunications Company that submitted the alleged Unauthorized Charge;
  3. The approximate date of the alleged Unauthorized Charge;
  4. A statement of facts, and documentation, to support the complainant's allegation;
  5. The amount of any disputed charges including the amount already paid; and
  6. The specific relief sought.
- B.** The Commission Staff shall:
  1. Assist the parties in resolving the complaint;
  2. Notify the Telecommunications Company of the alleged Unauthorized Charge;
  3. Require the Telecommunications Company to provide an initial response within five business days of receipt of notice from the Commission;
  4. Require the Telecommunications Company to provide documentation of the Subscriber's new service or product request. If such information is not provided to the Staff within 10 business days of the initial Staff notification, Staff shall presume that an Unauthorized Charge occurred;
  5. Advise the Telecommunications Company that it shall provide Staff any additional information requested within 10 business days of Staff's request; and
  6. Inform the Telecommunications Company that failure to provide the requested information or a good faith response to Commission Staff within 15 business days shall be deemed an admission to the allegations contained

within the request and the Telecommunications Company shall be deemed in violation of the applicable provisions of this Article.

- C.** If the parties do not resolve the matter, the Staff will conduct a review of the informal complaint and related materials to determine if an Unauthorized Charge has occurred, which review shall be completed within 30 days of the Staff's receipt of the informal complaint.
- D.** Upon conclusion of its review, Staff shall render a written summary of its findings and recommendation to all parties. Staff's written summary is not binding on any party. Any party shall have the right to file a formal complaint with the Commission under A.R.S. § 40-246. Staff's written summary shall not be admissible in the formal complaint proceeding.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2009. Compliance and Enforcement**

- A.** A Telecommunications Company shall provide a copy of records related to a Subscriber's request for services or products to Commission Staff upon request.
- B.** If the Commission finds that a Telecommunications Company is in violation of this Article, the Commission shall order the company to take corrective action as necessary, and the company may be subject to such penalties as are authorized by law. The Commission may sanction a Telecommunications Company in violation of this Article by prohibiting further solicitation of new customers for a specified period, or by revocation of its Certificate of Convenience and Necessity. The Commission may take any other enforcement actions authorized by law.
- C.** The Commission Staff shall coordinate its enforcement efforts regarding the prosecution of fraudulent, misleading, deceptive, and anti-competitive business practices with the Arizona Attorney General.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2010. Severability**

If any provision of this Article is found to be invalid, it shall be deemed severable from the remainder of this Article and the remaining provisions of this Article shall remain in full force and effect.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R. 2409, effective July 23, 2004 (Supp. 04-2).

**R14-2-2011. Script Submission**

- A.** Each Telecommunications Company shall file under seal in a docket designated by the Director of the Utilities Division ("Director") a copy of all sales or marketing scripts used by its (or its agent's) sales or customer service workers. For the purposes of this rule, "sales or marketing scripts" means all scripts that involve an offer to sell a product or service or a response to a request for a product or service, including all scripts for unrelated matters that include a prompt for the sales or customer service workers to offer to sell a product or service.
- B.** A Telecommunications Company shall make the filing described in R14-2-2011(A) at the following times:
  1. 90 days from the day these rules are first published in a Notice of Final Rulemaking in the Arizona Administrative Register;
  2. On April 15 of each year;
  3. Whenever directed to do so by the Director; and

4. Whenever a material change to a script occurs or a new script is used that is materially different from a script on file with the Director.
- C. The Director may request further information or clarification on any script, and the Telecommunications Company shall respond to the Director's request within 10 days.
- D. The Director may initiate a formal complaint under R14-3-101 through R14-3-113 to review any script. The failure to file such a complaint or request further information or clarification does not constitute approval of the script, and the fact that the script is on file with the Commission may not be used as evidence that the script is just, reasonable, or not fraudulent.

**Historical Note**

New Section made by final rulemaking at 10 A.A.R.  
2409, effective July 23, 2004 (Supp. 04-2).

**ARTICLE 21. CUSTOMER PROPRIETARY NETWORK INFORMATION**

**R14-2-2101. Application**

These rules govern the treatment of Customer Proprietary Network Information (CPNI) for all telecommunications carriers that provide telecommunications service in Arizona. In addition, the Commission adopts, incorporates, and approves as its own 47 CFR 64.2001 through 2009, revised as of September 20, 2002 (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975. These rules are in addition to the FCC rules and together with the FCC rules govern the release of CPNI in Arizona.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R.  
1547, effective June 19, 2006 (06-2).

**R14-2-2102. Definitions**

For purposes of this Article, the following definitions apply unless the context otherwise requires:

1. "Affiliate" means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent.
2. "Communications-related services" means telecommunications services, information services typically provided by telecommunications carriers, and services related to the provision or maintenance of customer premises equipment.
3. A "Customer" of a telecommunications carrier is a person or entity to which the telecommunications carrier is currently providing service.
4. "Customer premise equipment" means equipment employed on the premises of a person (other than a telecommunications carrier) to originate, route, or terminate telecommunications.
5. "Customer proprietary network information (CPNI)" means information that relates to the quantity, technical configuration, type, destination, location, and amount of use of a telecommunications service subscribed to by any customer of a telecommunications carrier, and that is made available to the carrier by the customer solely by virtue of the carrier-customer relationship; and information contained in the bills pertaining to telephone exchange service or telephone toll service received by a customer of a carrier; except that such term does not

include subscriber list information. See 47 U.S.C. 222(h)(1) revised 1999 (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

6. "Non-listed Service" means a service that ensures that customers' telephone numbers are not published in the telephone directory but are available through directory assistance.
7. "Non-published Service" means a service that ensures that customers' telephone numbers are not published in the telephone directory and are not otherwise available through directory assistance.
8. "Opt-In approval" means a method for obtaining customer consent to use, disclose, or permit access to the customer's CPNI that requires that the telecommunications carrier obtain from the customer affirmative, express consent allowing the requested CPNI usage, disclosure, or access after the customer is provided notification of the carrier's request in conformance with Section R14-2-2105.
9. "Opt-Out approval" means a method for obtaining customer consent to use, disclose, or permit access to the customer's CPNI where a customer is deemed to have consented to the use, disclosure, or access to the customer's CPNI if the customer has failed to affirmatively object to approval within the 30-day waiting period provided in R14-2-2103(C) after the customer is provided the notice as required in R14-2-2106, subject to the requirements of Section R14-2-2108.
10. "Published" means authorized for voluntary disclosure by the individual identified in the listing.
11. "Subscriber list information" means any information identifying the listed names of subscribers of a telecommunications carrier and such subscribers' telephone numbers, addresses, or primary advertising classifications (as such classifications are assigned at the time of the establishment of such service), or any combination of such listed names, numbers, addresses, or classifications; and that the carrier or an affiliate has published, caused to be published, or accepted for publication in any directory format. See 47 U.S.C. 222(e)(1) revised 1999 (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.
12. "Telecommunications carrier" means a public service corporation, as defined in the Arizona Constitution, Article 15, § 2, which provides telecommunications services within the state of Arizona and over which the Commission has jurisdiction.
13. "Third Party" means a person who is not the customer, the customer's telecommunications service provider, an affiliate, joint venture partner, or independent contractor of the customer's telecommunications service provider.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R.  
1547, effective June 19, 2006 (06-2).

**R14-2-2103. Obtaining Customer Approval to Use, Disclose, or Permit Access to CPNI to Affiliates, Joint Venture Partners**

**and Independent Contractors Providing Communications-Related Services**

- A.** A telecommunications carrier may, subject to obtaining opt-out approval or opt-in approval:
1. Disclose its customer's individually identifiable CPNI, for the purpose of marketing to that customer communications-related services of a category to which the customer does not already subscribe, to its agents; its affiliates that provide communications-related services; and its joint venture partners and independent contractors;
  2. Permit such persons or entities to obtain access to such CPNI for such purposes.
- B.** Any solicitation for customer approval must be accompanied by a notice to the customer of the customer's right to restrict use of, disclosure of, and access to that customer's CPNI. For the purpose of obtaining opt-in approval, the notice must comply with the requirements of Section R14-2-2105 of these rules. For the purpose of obtaining opt-out approval, the notice must comply with the requirements of Section R14-2-2106 of these rules.
- C.** Telecommunications carriers must wait a 30-day minimum period of time after giving customers notice and an opportunity to opt-out before assuming customer approval to use, disclose or permit access to CPNI. A telecommunications carrier may, in its discretion, provide for a longer period.
- D.** The telecommunications carrier shall be required to execute a proprietary agreement with all affiliates, joint venture partners, independent contractors that provide communications-related services, third parties, and affiliates that do not provide communications-related services to maintain the confidentiality of the customers' CPNI. The proprietary agreement must meet the minimum requirements set forth in 47 CFR 64.2007(b)(2), revised as of September 20, 2002 (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2104. Obtaining Customer Approval to Use, Disclose, or Permit Access to CPNI to Third Parties and Affiliates That Do Not Provide Communications-Related Services**

- A.** A telecommunications carrier may, subject to opt-in approval, use, disclose, or permit access to its customer's individually identifiable CPNI to affiliates that do not provide telecommunications-related services.
- B.** A telecommunications carrier may use, disclose, or permit access to its customer's individually identifiable CPNI to a third party only upon written, electronic, or oral request by the customer that specifically identifies the third party to whom the CPNI may be disseminated.
- C.** Any solicitation for customer approval must be accompanied by a notice to the customer of the customer's right to restrict use of, disclosure of, and access to that customer's CPNI. For the purpose of obtaining opt-in approval, the notice must comply with the requirements of Section R14-2-2105 of these rules.
- D.** The telecommunications carrier shall be required to execute a proprietary agreement with all affiliates, joint venture partners, independent contractors that provide communications-related services, third parties, and affiliates that do not provide communications-related services to maintain the confidentiality of

the customers' CPNI. The proprietary agreement must meet the minimum requirements set forth in 47 CFR 64.2007(b)(2), revised as of September 20, 2002 (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

- E.** A telecommunications company relying on "Opt-In" approval must bear the burden of demonstrating that such approval has been given in compliance with sections R14-2-2104 and R14-2-2105 of these rules.
- F.** This Article does not prohibit the use and disclosure of CPNI for the purpose of sharing customer records necessary for the provisioning of service by a competitive carrier as provided in section 222(c)(1) of the Communications Act of 1934, as amended (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2105. Information Requirements for Customer CPNI Opt-In Notice**

- A.** A telecommunications carrier may provide notification to obtain opt-in approval through oral, written, or electronic methods. The contents of any such notification must:
1. Include language the same as or substantially similar to the definition of customer proprietary network information contained in 47 U.S.C. 222(h)(1); 1999 amendment (and no future amendments), incorporated by reference and copies available from the Commission Office, Legal Division, 1200 West Washington, Phoenix, Arizona 85007 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975;
  2. State that the customer has a right to direct the company not to use the customer's CPNI or limit the use, disclosure, and access to the customer's CPNI;
  3. State that the telecommunications company has a duty to comply with the customer's limitations on use, disclosure of, and access to the information;
  4. State that CPNI includes all information related to specific calls initiated or received by a customer;
  5. Inform the customer that CPNI does not include published information, whether listed or non-listed, such as their name, telephone number, and address, and this information is not subject to the same limitations of use;
  6. Inform the customer that deciding not to approve the release of CPNI will not affect the provision of any services to which the customer subscribes;
  7. State that any customer approval for use, disclosure of, or access to CPNI may be revoked or limited at any time; and
  8. Be posted on the company's web site.
- B.** Written notice must:
1. Be mailed separately or be included as an insert in a regular monthly bill within an envelope that clearly and boldly states that important privacy information is contained therein;
  2. Be clearly legible, in twelve-point or larger print;
  3. Be printed in both English and Spanish unless the customer has previously expressed a preferred language in

which case the notice may be written in that language alone.

**C. Electronic notice must:**

1. Be e-mailed separately from any billing information, inducements, advertising, or promotional information;
2. Be clearly legible, in twelve-point or larger print;
3. Be printed in both English and Spanish unless the customer has previously expressed a preferred language in which case the notice may be written in that language alone.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2106. Additional Information Requirements for Customer Opt-Out Notice**

- A.** A telecommunications carrier may provide notification to obtain opt-out approval through, written, or electronic methods, but not orally (except as provided in Section R14-2-2107).
- B.** The contents of any such notification must comply with Section R14-2-2105 and with the following requirements.
- C.** Telecommunications carriers must notify customers as to the applicable waiting period (minimum 30-days as provided in R14-2-2103(C)) for a response before opt-out approval is assumed.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2107. Notification Requirements for Obtaining Customer Approval for Limited One-Time Use of CPNI for Inbound and Outbound Customer Telephone Contact**

A telecommunications carrier may use oral notice to obtain limited, one-time use of CPNI for inbound and outbound customer telephone contacts for the duration of the call, regardless of whether telecommunications carriers use opt-out or opt-in approval based on the nature of the contact.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2108. Verification of Customer Opt-Out Approval to Use CPNI**

- A.** Verification of a customer's opt-out approval must be obtained within one year. Verification of the customer's approval shall be obtained in accordance with the procedures set forth below. Carriers may request an extension of the verification time period subject to Commission approval.
- B.** Verification of the customer's approval may be obtained through written, oral, or electronic methods. All verification methods shall be conducted in the same languages that were used in the initial notification and shall elicit at a minimum:
  1. The identity of the customer;
  2. Confirmation that the person responding to the verification request is authorized to make CPNI available to the telecommunications company;
  3. Confirmation that the customer wants to make the CPNI release verification;
  4. The telephone numbers for which CPNI information release is authorized; and
  5. The types of service involved.
- C.** Written verification obtained by a telecommunications carrier shall:

1. Be a separate document having the sole purpose of authorizing a telecommunications company to use the customer's CPNI in accordance with this Article;
2. Be signed and dated by the customer authorizing the use of the customer's CPNI; and
3. Not be combined with any inducement.

**D. Electronic verification obtained by a telecommunications carrier shall:**

1. Include electronically signed letters of authority;
2. Be a separate document having the sole purpose of authorizing a telecommunications company to use the customer's CPNI in accordance with this Article; and
3. Not be combined with any inducement.

**E. Oral verification obtained by a telecommunications carrier shall:**

1. Be recorded; and
2. Not be combined with any inducement.

**F. If a telecommunications company fails to obtain verification within one year of obtaining a customer's opt-out approval, the authorization to use, disclose, or permit access to that customer's CPNI is no longer valid. If verification from the customer is not received within one year as required, the company shall direct any entities (affiliates, joint-venture partners, or independent contractors) to whom it has released CPNI to stop using the CPNI.**

**G. As a result of failure to obtain verification within one year, the company and any other entities (affiliates, joint-venture partners, or independent contractors) may not use, disclose, or permit access to that customer's CPNI until verification is obtained.**

**H. Carriers may request an extension of the verification time period subject to Commission approval.**

**I. The Commission may grant an extension(s) of time to complete the verification process if the applicant demonstrates items 1 through 4 below:**

1. The applicant has used its best efforts to obtain customer verification of their CPNI sharing preference. One means of demonstrating this would be for the applicant to show that it has achieved verification with respect to a minimum of one-third of its customers during the initial or extension period for which the company used the opt-out approval mechanism; and
2. The applicant has contacted each of its customers (for whom it has used an opt-out approval mechanism) at least once in the first half of the verification period and at least once during the second half of the verification period (if it was unsuccessful in obtaining the customer's verification during its initial contact) to verify the customer's CPNI sharing preference; and
3. To the extent practicable, one of the applicant's contacts to the customer should be by phone to the customer's primary residence or telephone number by a person speaking the customer's language preference (English or Spanish). If the customer is not there, it should allow, if technically feasible, the customer the option of responding via message return; and
4. The applicant presents a plan for achieving verification for its remaining customers. In its plan, the applicant must demonstrate that the additional time it is requesting is no longer than is reasonably necessary to complete items 1 and 3 again for any customers it was unsuccessful in contacting during the initial verification period, and to complete any additional measures designed to ensure customer contact during the extension period.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R.



## Corporation Commission – Fixed Utilities

1547, effective June 19, 2006 (06-2).

**R14-2-2109. Confirming a Customer's Opt-In Approval**

- A. Each time a telecommunications company receives a customer's "Opt-In" approval to allow the telecommunications company to make CPNI available to itself, its affiliates, independent contractors or joint venture partners, the telecommunications company must confirm in writing the change in approval status to the customer within ten days.
- B. The written confirmation must be mailed or e-mailed to the customer.
- C. The confirmation must be separate from any other mail from the telecommunications company.
- D. The confirmation must clearly advise the customer of the effect of the customer's opt-in choice and must provide a reasonable method to notify the telecommunications company, including a toll free telephone number if the telecommunications company made an error in changing the customer's approval status.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2110. Reminders to Customers of Their Current CPNI Release Election**

- A. Telecommunications companies that have obtained opt-out or opt-in approval must notify customers of their current election regarding the treatment of their CPNI every twelve months.
  1. In the case of opt-out approval, the notification must remind customers of their election to allow the company to:
    - a. Provide their information to its affiliates that provide communications-related services to which services that customer does not already subscribe; and
    - b. Provide their information to its joint venture partners and independent contractors that provide communications-related services.
  2. In the case of opt-in approval, the notification must remind customers of their election to allow the company to:
    - a. Provide their information to its affiliates that provide communications-related services to which services that customer does not already subscribe;
    - b. Provide their information to its joint venture partners and independent contractors that provide communications-related services; and
    - c. Provide their information to its affiliates that provide non-communications-related services.
  3. In the case of customer specified third party approval by written, oral, or electronic request, the notification must remind customers of their election to allow the company to:
    - a. Provide their information to its affiliates that provide communications-related services to which services that customer does not already subscribe;
    - b. Provide their information to its joint venture partners and independent contractors that provide communications-related services;
    - c. Provide their information to its affiliates that provide non-communications-related services; and
    - d. Provide their information to specifically identified third parties as requested in writing by the customer.
- B. The notice must not be mailed with any advertising or promotional information.

- C. The notice shall not be included with the customer's bill.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2111. Duration of Customer Approval or Disapproval to Disseminate the Customer's CPNI**

Any approval of the use of CPNI received by a telecommunications carrier will remain in effect until the customer revokes, modifies, or limits such approval.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**R14-2-2112. Severability**

If any provision of this Article is found to be invalid, it shall be deemed severable from the remainder of this Article and the remaining provisions of this Article shall remain in full force and effect.

**Historical Note**

New Section made by final rulemaking at 12 A.A.R. 1547, effective June 19, 2006 (06-2).

**ARTICLE 22. RESERVED****ARTICLE 23. NET METERING****R14-2-2301. Applicability**

These rules govern the treatment of Electric Utility Customers in Arizona who wish to interconnect with the Electric Utility which serves them and engage in Net Metering operation as defined below. These rules apply to all Electric Utilities, as defined in these rules.

**Historical Note**

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

**R14-2-2302. Definitions**

For purposes of this Article, the following definitions apply unless the context requires otherwise:

1. "Avoided Costs" means the incremental costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering Facility, such utility would generate itself or purchase from another source.
2. "Biomass" means any raw or processed plant-derived organic matter available on a renewable basis, including:
  - a. Dedicated energy crops and trees,
  - b. Agricultural food and feed crops,
  - c. Agricultural crop wastes and residues,
  - d. Wood wastes and residues, including:
    - i. Landscape waste.
    - ii. Right-of-way tree trimmings.
    - iii. Small diameter forest thinnings that are 12 inches in diameter or less.
  - e. Dead and downed forest products,
  - f. Aquatic plants,
  - g. Animal wastes,
  - h. Other vegetative waste materials,
  - i. Non-hazardous plant matter waste material that is segregated from other waste,
  - j. Forest-related resources such as:
    - i. Harvesting and mill residue.
    - ii. Pre-commercial thinnings.
    - iii. Slash.
    - iv. Brush.
  - k. Miscellaneous waste such as:

- i. Waste pallets,
- ii. Crates,
- iii. Dunnage, or
- 14. Recycled paper fibers that are no longer suitable for recycled paper production, but not including:
  - i. Painted, treated, or pressurized wood;
  - ii. Wood contaminated with plastics or metals;
  - iii. Tires; or
  - iv. Recyclable post-consumer waste paper.
- 3. “Biogas” means gases that are derived from:
  - a. Plant-derived organic matter,
  - b. Agricultural food and feed matter,
  - c. Wood wastes,
  - d. Aquatic plants,
  - e. Animal wastes,
  - f. Vegetative wastes,
  - g. Wastewater treatment facilities using anaerobic digestion, or
  - h. Municipal solid waste through:
    - i. A digester process,
    - ii. An oxidation process, or
    - iii. Other gasification process.
- 4. “Combined Heat and Power” or “CHP” (also known as cogeneration) means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility.
- 5. “Commission” means the Arizona Corporation Commission.
- 6. “Electric Utility” or “Utility” means an electric distribution company that constructs, operates, and maintains the electrical distribution system for the receipt and delivery of power.
- 7. “Electric Utility Customer” or “Customer” means an end-use retail Customer served under a Utility’s rate schedule.
- 8. “Fuel Cell” means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. For purposes of these Net Metering rules, the source of the chemical reaction must be derived from Renewable Resources.
- 9. “Geothermal” means heat from within the earth’s surface.
- 10. “Hydroelectric” means the kinetic energy derived from moving water.
- 11. “Net Metering” means service to an Electric Utility Customer under which electric energy generated by or on behalf of that Electric Utility Customer from a Net Metering Facility and delivered to the Utility’s local distribution facilities may be used to offset electric energy provided by the Electric Utility to the Electric Utility Customer during the applicable billing period.
- 12. “Net Metering Customer” means any Arizona Customer who chooses to take electric service in the manner described in the definition of Net Metering in subsection (11) and under the Net Metering tariff, as described in R14-2-2307.
- 13. “Net Metering Facility” means a facility for the production of electricity that:
  - a. Is operated by or on behalf of a Net Metering Customer and is located on the Net Metering Customer’s premises;
  - b. Is intended primarily to provide part or all of the Net Metering Customer’s requirements for electricity;
  - c. Uses Renewable Resources, a Fuel Cell, or CHP to generate electricity;
  - d. Has a generating capacity less than or equal to 125% of the Net Metering Customer’s total connected load, or in the absence of customer load data, capacity less than or equal to the Customer’s electric service drop capacity; and
  - e. Is interconnected with and can operate in parallel and in phase with an Electric Utility’s existing distribution system.
- 14. “Renewable Resources” means natural resources that can be replenished by natural processes, including:
  - a. Biogas,
  - b. Biomass,
  - c. Geothermal,
  - d. Hydroelectric,
  - e. Solar, or
  - f. Wind.
- 15. “Solar” means radiation or heat from the Earth’s sun that produces electricity from a device or system designed for that purpose.
- 16. “Wind” means energy derived from wind movement across the earth’s surface that produces electricity from a device or system designed for that purpose.

**Historical Note**

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

**R14-2-2303. Requirements and Eligibility**

An Electric Utility shall interconnect with any retail customer with a Net Metering Facility in the Electric Utility’s service territory.

**Historical Note**

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

**R14-2-2304. Metering**

The meter that is installed on Net Metering Facilities after the effective date of these rules shall be capable of registering and accumulating the kilowatt-hours (“kWh”) of electricity flowing in both directions in each billing period.

**Historical Note**

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

**R14-2-2305. New or Additional Charges**

Net Metering charges shall be assessed on a nondiscriminatory basis. Any proposed charge that would increase a Net Metering Customer’s costs beyond those of other customers with similar load characteristics or customers in the same rate class that the Net Metering Customer would qualify for if not participating in Net Metering shall be filed by the Electric Utility with the Commission for consideration and approval. The charges shall be fully supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any proposed charge.

**Historical Note**

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

**R14-2-2306. Billing for Net Metering**

- A. On a monthly basis, the Net Metering Customer shall be billed or credited based upon the rates applicable under the Customer’s currently effective standard rate schedule and any appropriate rider schedules.
- B. The billing period for Net Metering will be the same as the billing period under the Customer’s applicable standard rate schedule.
- C. If the kWh supplied by the Electric Utility exceed the kWh that are generated by the Net Metering Facility and delivered

back to the Electric Utility during the billing period, the Customer shall be billed for the net kWh supplied by the Electric Utility in accordance with the rates and charges under the Customer's standard rate schedule.

- D. If the electricity generated by the Net Metering Customer exceeds the electricity supplied by the Electric Utility in the billing period, the Customer shall be credited during the next billing period for the excess kWh generated. That is, the excess kWh during the billing period will be used to reduce the kWh supplied (not kW or kVA demand or customer charges) and billed by the Electric Utility during the following billing period.
- E. Customers taking service under time-of-use rates who are to receive credit in a subsequent billing period for excess kWh generated shall receive such credit during the next billing period during the on- or off-peak periods corresponding to the on- or off-peak periods in which the kWh were generated by the Customer.
- F. Once each calendar year the Electric Utility shall issue a check or billing credit to the Net Metering Customer for the balance of any credit due in excess of amounts owed by the Customer to the Electric Utility. The payment for any remaining credits shall be at the Electric Utility's Avoided Cost. That Avoided Cost shall be clearly identified in the Electric Utility's Net Metering tariff.

#### Historical Note

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

#### R14-2-2307. Net Metering Tariff

- A. Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of these rules, including financial information and supporting data sufficient to allow the Commission to determine the Electric Utility's fair value for the purposes of evaluating any specific proposed charges. The Commission shall issue a decision on these filings within 120 days.
- B. The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities and may specify total utility capacity limits. If total utility capacity limits are included in the tariff, such limits must be fully justified.
- C. Electric utilities may include seasonally and time of day differentiated Avoided Cost rates for purchases from Net Metering Customers, to the extent that Avoided Costs vary by season and time of day.

#### Historical Note

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

#### R14-2-2308. Filing and Reporting Requirements

- A. Prior to May 1 of each year, each Electric Utility shall file a report listing all existing Net Metering Facilities and the inverter power rating or generator rating as of the end of the previous calendar year.
- B. Also included in this report shall be, for each existing Net Metering Facility, the monthly amount of energy delivered to and from the Electric Utility and, if available, the monthly peak demand delivered to and from the Electric Utility.

#### Historical Note

New Section made by final rulemaking at 15 A.A.R. 638, effective May 23, 2009 (Supp. 09-1).

## ARTICLE 24. ELECTRIC ENERGY EFFICIENCY STANDARDS

### R14-2-2401. Definitions

In this Article, unless otherwise specified:

1. "Adjustment mechanism" means a Commission-approved provision in an affected utility's rate schedule allowing the affected utility to increase and decrease a certain rate or rates, in an established manner, when increases and decreases in specific costs are incurred by the affected utility.
2. "Affected utility" means a public service corporation that provides electric service to retail customers in Arizona.
3. "Baseline" means the level of electricity demand, electricity consumption, and associated expenses estimated to occur in the absence of a specific DSM program, determined as provided in R14-2-2413.
4. "CHP" means combined heat and power, which is using a primary energy source to simultaneously produce electrical energy and useful process heat.
5. "Commission" means the Arizona Corporation Commission.
6. "Cost-effective" means that total incremental benefits from a DSM measure or DSM program exceed total incremental costs over the life of the DSM measure, as determined under R14-2-2412.
7. "Customer" means the person or entity in whose name service is rendered to a single contiguous field, location, or facility, regardless of the number of meters at the field, location, or facility.
8. "Delivery system" means the infrastructure through which an affected utility transmits and then distributes electrical energy to its customers.
9. "Demand savings" means the load reduction, measured in kW, occurring during a relevant peak period or periods as a direct result of energy efficiency and demand response programs.
10. "Demand response" means modification of customers' electricity consumption patterns, affecting the timing or quantity of customer demand and usage, achieved through intentional actions taken by an affected utility or customer because of changes in prices, market conditions, or threats to system reliability.
11. "Distributed generation" means the production of electricity on the customer's side of the meter, for use by the customer, through a process such as CHP.
12. "DSM" means demand-side management, the implementation and maintenance of one or more DSM programs.
13. "DSM measure" means any material, device, technology, educational program, pricing option, practice, or facility alteration designed to result in reduced peak demand, increased energy efficiency, or shifting of electricity consumption to off-peak periods and includes CHP used to displace space heating, water heating, or another load.
14. "DSM program" means one or more DSM measures provided as part of a single offering to customers.
15. "DSM tariff" means a Commission-approved schedule of rates designed to recover an affected utility's reasonable and prudent costs of complying with this Article.
16. "Electric utility" means a public service corporation providing electric service to the public.
17. "Energy efficiency" means the production or delivery of an equivalent level and quality of end-use electric service using less energy, or the conservation of energy by end-use customers.
18. "Energy efficiency standard" means the reduction in retail energy sales, in percentage of kWh, required to be

- achieved through an affected utility's approved DSM programs as prescribed in R14-2-2404.
19. "Energy savings" means the reduction in a customer's energy consumption directly resulting from a DSM program, expressed in kWh.
  20. "Energy service company" means a company that provides a broad range of services related to energy efficiency, including energy audits, the design and implementation of energy efficiency projects, and the installation and maintenance of energy efficiency measures.
  21. "Environmental benefits" means avoidance of costs for compliance, or reduction in environmental impacts, for things such as, but not limited to:
    - a. Water use and water contamination,
    - b. Monitoring storage and disposal of solid waste such as coal ash (bottom and fly),
    - c. Health effects from burning fossil fuels, and
    - d. Emissions from transportation and production of fuels and electricity.
  22. "Fuel-neutral" means without promoting or otherwise expressing bias regarding a customer's choice of one fuel over another.
  23. "Incremental benefits" means amounts saved through avoiding costs for fuel, purchased power, new capacity, transmission, distribution, and other cost items necessary to provide electric utility service, along with other improvements in societal welfare, such as through avoided environmental impacts, including, but not limited to, water consumption savings, air emission reduction, reduction in coal ash, and reduction of nuclear waste.
  24. "Incremental costs" means the additional expenses of DSM measures, relative to baseline.
  25. "Independent program administrator" means an impartial third party employed to provide objective oversight of energy efficiency programs.
  26. "kW" means kilowatt.
  27. "kWh" means kilowatt-hour.
  28. "Leveraging" means combining resources to more effectively achieve an energy efficiency goal, or to achieve greater energy efficiency savings, than would be achieved without combining resources.
  29. "Load management" means actions taken or sponsored by an affected utility to reduce peak demands or improve system operating efficiency, such as direct control of customer demands through affected-utility-initiated interruption or cycling, thermal storage, or educational campaigns to encourage customers to shift loads.
  30. "Low-income customer" means a customer with a below average level of household income, as defined in an affected utility's Commission-approved DSM program description.
  31. "Market transformation" means strategic efforts to induce lasting structural or behavioral changes in the market that result in increased energy efficiency.
  32. "Net benefits" means the incremental benefits resulting from DSM minus the incremental costs of DSM.
  33. "Non-market benefits" means improvements in societal welfare that are not bought or sold.
  34. "Program costs" means the expenses incurred by an affected utility as a result of developing, marketing, implementing, administering, and evaluating Commission-approved DSM programs.
  35. "Self-direction" means an option made available to qualifying customers of sufficient size, in which the amount of money paid by each qualifying customer toward DSM costs is tracked for the customer and made available for use by the customer for approved DSM investments upon application by the customer.
  36. "Societal Test" means a cost-effectiveness test of the net benefits of DSM programs that starts with the Total Resource Cost Test, but includes non-market benefits and costs to society.
  37. "Staff" means individuals working for the Commission's Utilities Division, whether as employees or through contract.
  38. "Thermal envelope" means the collection of building surfaces, such as walls, windows, doors, floors, ceilings, and roofs, that separate interior conditioned (heated or cooled) spaces from the exterior environment.
  39. "Total Resource Cost Test" means a cost-effectiveness test that measures the net benefits of a DSM program as a resource option, including incremental measure costs, incremental affected utility costs, and carrying costs as a component of avoided capacity cost, but excluding incentives paid by affected utilities and non-market benefits to society.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2402. Applicability**

This Article applies to each affected utility classified as Class A according to R14-2-103(A)(3)(q), unless the affected utility is an electric distribution cooperative that has fewer than 25% of its customers in Arizona.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2403. Goals and Objectives**

- A. An affected utility shall design each DSM program:
  1. To be cost-effective, and
  2. To accomplish at least one of the following:
    - a. Energy efficiency,
    - b. Load management, or
    - c. Demand response.
- B. An affected utility shall consider the following when planning and implementing a DSM program:
  1. Whether the DSM program will achieve cost-effective energy savings and peak demand reductions;
  2. Whether the DSM program will advance market transformation and achieve sustainable savings, reducing the need for future market interventions; and
  3. Whether the affected utility can ensure a level of funding adequate to sustain the DSM program and allow the DSM program to achieve its targeted goal.
- C. An affected utility shall:
  1. Offer DSM programs that will provide an opportunity for all affected utility customer segments to participate, and
  2. Allocate a portion of DSM resources specifically to low-income customers.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2404. Energy Efficiency Standards**

- A. Except as provided in R14-2-2418, in order to ensure reliable electric service at reasonable ratepayer rates and costs, by December 31, 2020, an affected utility shall, through cost-effective DSM energy efficiency programs, achieve cumula-

tive annual energy savings, measured in kWh, equivalent to at least 22% of the affected utility’s retail electric energy sales for calendar year 2019.

- B. An affected utility shall, by the end of each calendar year, meet at least the cumulative annual energy efficiency standard listed in Table 1 for that calendar year. An illustrative example of how the required energy savings would be calculated is shown in Table 2. An illustrative example of how the standard could be met in 2020 is shown in Table 4.

**Table 1. Energy Efficiency Standard**

| CALENDAR YEAR | ENERGY EFFICIENCY STANDARD<br>(Cumulative Annual Energy Savings by the End of Each Calendar Year as a Percentage of the Retail Energy Sales in the Prior Calendar Year) |
|---------------|---|
| 2011          | 1.25%   |
| 2012          | 3.00%   |
| 2013          | 5.00%   |
| 2014          | 7.25%   |
| 2015          | 9.50%   |
| 2016          | 12.00%  |
| 2017          | 14.50%  |
| 2018          | 17.00%  |
| 2019          | 19.50%  |
| 2020          | 22.00%  |

**Table 2. Illustrative Example of Calculating Required Energy Savings**

| CALENDAR YEAR | A<br>RETAIL SALES<br>(kWh) | B<br>ENERGY EFFICIENCY STANDARD | C<br>REQUIRED CUMULATIVE ENERGY SAVINGS<br>(B of current year × A of prior year) |
|---------------|----------------------------|---------------------------------|--|
| 2010          | 100,000,000                |                                 | 0  |
| 2011          | 100,750,000                | 1.25%                           | 1,250,000  |
| 2012          | 101,017,500                | 3.00%                           | 3,022,500  |
| 2013          | 101,069,925                | 5.00%                           | 5,050,875  |
| 2014          | 100,915,646                | 7.25%                           | 7,327,570  |
| 2015          | 100,821,094                | 9.50%                           | 9,586,986  |
| 2016          | 100,517,711                | 12.00%                          | 12,098,531   |
| 2017          | 100,293,499                | 14.50%                          | 14,575,068   |
| 2018          | 100,116,043                | 17.00%                          | 17,049,895   |
| 2019          | 99,986,628                 | 19.50%                          | 19,522,628   |
| 2020          | 99,902,384                 | 22.00%                          | 21,997,058   |

- C. An affected utility’s measured reductions in peak demand resulting from cost-effective demand response and load management programs may comprise up to two percentage points of the 22% energy efficiency standard, with peak demand reduction capability from demand response converted to an annual energy savings equivalent based on an assumed 50% annual load factor. The credit for demand response and load management peak demand reductions shall not exceed 10% of the energy efficiency standard set forth in subsection (B) for any year. The measured reductions in peak demand occurring during a calendar year after the effective date of this Article may be counted for that calendar year even if the demand response or load management program resulting in the reductions was implemented prior to the effective date of this Article.
- D. An affected utility’s energy savings resulting from DSM energy efficiency programs implemented before the effective date of this Article, but after 2004, may be credited toward meeting the energy efficiency standard set forth in subsection

(B). The total energy savings credit for these pre-rules energy efficiency programs shall not exceed 4% of the affected utility's retail energy sales in calendar year 2005. A portion of the

total energy savings credit for these pre-rules energy efficiency programs may be applied each year, from 2016 through 2020, as listed in Table 3, Column A.

**Table 3. Credit for Pre-Rules Energy Savings**

| CALENDAR YEAR | A<br>CREDIT FOR THE PRE-RULES ENERGY SAVINGS APPLIED IN EACH YEAR<br>(Percentage of the Total Eligible Pre-Rules Cumulative Annual Energy Savings That Shall Be Applied in the Year) | B<br>CUMULATIVE APPLICATION OF THE CREDIT FOR THE PRE-RULES ENERGY SAVINGS IN 2016-2020<br>(Percentage of the Total Eligible Pre-Rules Cumulative Annual Energy Savings That Are Credited by the End of Each Year) |
|---------------|--|--|
| 2016          | 7.5%   | 7.5%   |
| 2017          | 15.0%  | 22.5%  |
| 2018          | 20.0%  | 42.5%  |
| 2019          | 25.0%  | 67.5%  |
| 2020          | 32.5%  | 100.0%   |

- E. An affected utility may count toward meeting the standard up to one third of the energy savings, resulting from energy efficiency building codes, that are quantified and reported through a measurement and evaluation study undertaken by the affected utility.
- F. An affected utility may count the energy savings from combined heat and power (CHP) installations that do not qualify under the Renewable Energy Standard toward meeting the energy efficiency standard.
- G. An affected utility may count a customer's energy savings resulting from self-direction toward meeting the standard.
- H. An affected utility's energy savings resulting from efficiency improvements to its delivery system may not be counted toward meeting the standard.
- I. An affected utility's energy savings used to meet the energy efficiency standard will be assumed to continue through the year 2020 or, if expiring before the year 2020, to be replaced with a DSM energy efficiency program having at least the same level of efficiency.

**Table 4. Illustrative Example of How the Energy Standard Could Be Met in 2020**

|  | 2020 Energy Efficiency Standard | 2019 Retail Sales (kWh) | Required Cumulative Annual Energy Savings (kWh)         |
|--|---------------------------------|-------------------------|---|
| Total  | 22.00%                          | 99,986,628              | 21,997,058  |
| <b>Breakdown of Savings and Credits Used To Meet 2020 Standard:</b>  |                                 |                         |   |
|  |                                 |                         | <b>Cumulative Annual Energy Savings or Credit (kWh)</b> |
| <b>Demand Response Credit</b><br>R14-2-2404(C)   | Up to 2.00%                     |                         | 1,999,733   |
| <b>Pre-rules Savings Credit</b><br>R14-2-2404(D)   |                                 |                         | 1,100,000*  |
| <b>Building Code</b><br>R14-2-2404(E)  |                                 |                         | 1,000,000   |
| <b>CHP</b><br>R14-2-2404(F)  |                                 |                         | 500,000   |
| <b>Self-direction</b><br>R14-2-2404(G)   |                                 |                         | 100,000   |
| <b>Energy Efficiency</b><br>R14-2-2404(A)  |                                 |                         | 17,297,325  |
| <b>Total</b>   |                                 |                         | 21,997,058  |
| * The total pre-rules savings credit is capped at 4% of 2005 retail energy sales, and the total credit is allocated over five years from 2016 to 2020. The credit shown above represents an estimate of the portion of the total credit that can be taken in 2020, or 32.5% of the total credit allowed. |                                 |                         |   |

**Historical Note**

New Section, including Tables 1 through 4, made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2405. Implementation Plans**

- A. Except as provided in R14-2-2418, on June 1 of each odd year, or annually at the election of each affected utility, each affected utility shall file with Docket Control, for Commission review and approval, an implementation plan describing how the affected utility intends to meet the energy efficiency standard for the next one or two calendar years, as applicable,
- B. The implementation plan shall include the following information:
  1. Except for the initial implementation plan, a description of the affected utility's compliance with the requirements of this Article for the previous calendar year;

2. Except for the initial implementation plan, which shall describe only the next calendar year, a description of how the affected utility intends to comply with this Article for the next two calendar years, including an explanation of any modification to the rates of an existing DSM adjustment mechanism or tariff that the affected utility believes is necessary;
  3. Except for the initial implementation plan, which shall describe only the next calendar year, a description of each DSM program to be newly implemented or continued in the next two calendar years and an estimate of the annual kWh and kW savings projected to be obtained through each DSM program;
  4. The estimated total cost and cost per kWh reduction of each DSM measure and DSM program described in subsection (B)(3);
  5. A DSM tariff filing complying with R14-2-2406(A) or a request to modify and reset an adjustment mechanism complying with R14-2-2406(C), as applicable; and
  6. For each new DSM program or DSM measure that the affected utility desires to implement, a program proposal complying with R14-2-2407.
- C.** An affected utility shall notify its customers of its annual implementation plan filing through a notice in its next regularly scheduled customer bills.
- D.** The Commission may hold a hearing to determine whether an affected utility's implementation plan satisfies the requirements of this Article.
- E.** An affected utility's Commission-approved implementation plan, and the DSM programs authorized thereunder, shall continue in effect until the Commission takes action on a new implementation plan for the affected utility.

#### Historical Note

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

#### R14-2-2406. DSM Tariffs

- A.** An affected utility's DSM tariff filing shall include the following:
1. A detailed description of each method proposed by the affected utility to recover the reasonable and prudent costs associated with implementing the affected utility's intended DSM programs;
  2. Financial information and supporting data sufficient to allow the Commission to determine the affected utility's fair value, including, at a minimum, the information required to be submitted in a utility annual report filed under R14-2-212(G)(4);
  3. Data supporting the level of costs that the affected utility believes will be incurred in order to comply with this Article; and
  4. Any other information that the Commission believes is relevant to the Commission's consideration of the tariff filing.
- B.** The Commission shall approve, modify, or deny a tariff filed pursuant to subsection (A) within 180 days after the tariff has been filed. The Commission may suspend this deadline or adopt an alternative procedural schedule for good cause.
- C.** If an affected utility has an existing adjustment mechanism to recover the reasonable and prudent costs associated with implementing DSM programs, the affected utility may, in lieu of making a tariff filing under subsection (A), file a request to modify and reset its adjustment mechanism by submitting the information required under subsections (A)(1) and (3).

#### Historical Note

New Section made by final rulemaking at 16 A.A.R.

2254, effective January 1, 2011 (Supp. 10-4).

#### R14-2-2407. Commission Review and Approval of DSM Programs and DSM Measures

- A.** An affected utility shall obtain Commission approval before implementing a new DSM program or DSM measure.
- B.** An affected utility may apply for Commission approval of a DSM program or DSM measure by submitting a program proposal either as part of its implementation plan submitted under R14-2-2405 or through a separate application.
- C.** A program proposal shall include the following:
1. A description of the DSM program or DSM measure that the affected utility desires to implement,
  2. The affected utility's objectives and rationale for the DSM program or DSM measure,
  3. A description of the market segment at which the DSM program or DSM measure is aimed,
  4. An estimated level of customer participation in the DSM program or DSM measure,
  5. An estimate of the baseline,
  6. The estimated societal benefits and savings from the DSM program or DSM measure,
  7. The estimated societal costs of the DSM program or DSM measure,
  8. The estimated environmental benefits to be derived from the DSM program or DSM measure,
  9. The estimated benefit-cost ratio of the DSM program or DSM measure,
  10. The affected utility's marketing and delivery strategy,
  11. The affected utility's estimated annual costs and budget for the DSM program or DSM measure,
  12. The implementation schedule for the DSM program or DSM measure,
  13. A description of the affected utility's plan for monitoring and evaluating the DSM program or DSM measure, and
  14. Any other information that the Commission believes is relevant to the Commission's consideration of the tariff filing.
- D.** In determining whether to approve a program proposal, the Commission shall consider:
1. The extent to which the Commission believes the DSM program or DSM measure will meet the goals set forth in R14-2-2403(A), and
  2. All of the considerations set forth in R14-2-2403(B).
- E.** Staff may request modifications of on-going DSM programs to ensure consistency with this Article. The Commission shall allow affected utilities adequate time to notify customers of DSM program modifications.

#### Historical Note

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

#### R14-2-2408. Parity and Equity

- A.** An affected utility shall develop and propose DSM programs for residential, non-residential, and low-income customers.
- B.** An affected utility shall allocate DSM funds collected from residential customers and from non-residential customers proportionately to those customer classes to the extent practicable.
- C.** The affected utility costs of DSM programs for low-income customers shall be borne by all customer classes, except where a customer or customer class is specifically exempted by Commission order.
- D.** DSM funds collected by an affected utility shall be used, to the extent practicable, to benefit that affected utility's customers.
- E.** All customer classes of an affected utility shall bear the costs of DSM programs by payment through a non-bypassable

mechanism, unless a customer or customer class is specifically exempted by Commission order.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2409. Reporting Requirements**

- A.** By March 1 of each year, an affected utility shall submit to the Commission, in a Commission-established docket for that year, a DSM progress report providing information for each of the affected utility's Commission-approved DSM programs and including at least the following:
1. An analysis of the affected utility's progress toward meeting the annual energy efficiency standard;
  2. A list of the affected utility's current Commission-approved DSM programs and DSM measures, organized by customer segment;
  3. A description of the findings from any research projects completed during the previous year; and
  4. The following information for each Commission-approved DSM program or DSM measure:
    - a. A brief description;
    - b. Goals, objectives, and savings targets;
    - c. The level of customer participation during the previous year;
    - d. The costs incurred during the previous year, disaggregated by type of cost, such as administrative costs, rebates, and monitoring costs;
    - e. A description and the results of evaluation and monitoring activities during the previous year;
    - f. Savings realized in kW, kWh, therms, and BTUs, as appropriate;
    - g. The environmental benefits realized, including reduced emissions and water savings;
    - h. Incremental benefits and net benefits, in dollars;
    - i. Performance-incentive calculations for the previous year;
    - j. Problems encountered during the previous year and proposed solutions;
    - k. A description of any modifications proposed for the following year; and
    - l. Whether the affected utility proposes to terminate the DSM program or DSM measure and the proposed date of termination.
- B.** By September 1 of each year, an affected utility shall file a status report including a tabular summary showing the following for each current Commission-approved DSM program and DSM measure of the affected utility:
1. Semi-annual expenditures compared to annual budget, and
  2. Participation rates.
- C.** An affected utility shall file each report required by this Section with Docket Control, where it will be available to the public, and shall make each such report available to the public upon request.
- D.** An affected utility may request within its implementation plan that these reporting requirements supersede specific existing DSM reporting requirements.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2410. Cost Recovery**

- A.** An affected utility may recover the costs that it incurs in planning, designing, implementing, and evaluating a DSM pro-

gram or DSM measure if the DSM program or DSM measure is all of the following:

1. Approved by the Commission before it is implemented,
  2. Implemented in accordance with a Commission-approved program proposal or implementation plan, and
  3. Monitored and evaluated for cost-effectiveness pursuant to R14-2-2415.
- B.** An affected utility shall monitor and evaluate each DSM program and DSM measure, as provided in R14-2-2415, to determine whether the DSM program or DSM measure is cost-effective and otherwise meets expectations.
- C.** If an affected utility determines that a DSM program or DSM measure is not cost-effective or otherwise does not meet expectations, the affected utility shall include in its annual DSM progress report filed under R14-2-2409 a proposal to modify or terminate the DSM program or DSM measure.
- D.** An affected utility shall recover its DSM costs concurrently, on an annual basis, with the spending for a DSM program or DSM measure, unless the Commission orders otherwise.
- E.** An affected utility may recover costs from DSM funds for any of the following items, if the expenditures will enhance DSM:
  1. Incremental labor attributable to DSM development,
  2. A market study,
  3. A research and development project such as applied technology assessment,
  4. Consortium membership, or
  5. Another item that is difficult to allocate to an individual DSM program.
- F.** The Commission may impose a limit on the amount of DSM funds that may be used for the items in subsection (E).
- G.** If goods and services used by an affected utility for DSM have value for other affected utility functions, programs, or services, the affected utility shall divide the costs for the goods and services and allocate funding proportionately.
- H.** An affected utility shall allocate DSM costs in accordance with generally accepted accounting principles.
- I.** The Commission shall review and address financial disincentives, recovery of fixed costs, and recovery of net lost income/revenue, due to Commission-approved DSM programs, if an affected utility requests such review in its rate case and provides documentation/records supporting its request in its rate application.
- J.** An affected utility, at its own initiative, may submit to the Commission twice-annual reports on the financial impacts of its Commission-approved DSM programs, including any unrecovered fixed costs and net lost income/revenue resulting from its Commission-approved DSM programs.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2411. Performance Incentives**

In the implementation plans required by R14-2-2405, an affected utility may propose for Commission review a performance incentive to assist in achieving the energy efficiency standard set forth in R14-2-2404. The Commission may also consider performance incentives in a general rate case.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2412. Cost-effectiveness**

- A.** An affected utility shall ensure that the incremental benefits to society of the affected utility's overall DSM portfolio exceed the incremental costs to society of the DSM portfolio.



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- B. The Societal Test shall be used to determine cost-effectiveness.
- C. The analysis of a DSM program's or DSM measure's cost-effectiveness may include:
  1. Costs and benefits associated with reliability, improved system operations, environmental impacts, and customer service;
  2. Savings of both natural gas and electricity; and
  3. Any uncertainty about future streams of costs or benefits.
- D. An affected utility shall make a good faith effort to quantify water consumption savings and air emission reductions, while other environmental costs or the value of environmental improvements shall be estimated in physical terms when practical but may be expressed qualitatively. An affected utility, Staff, or any party may propose monetized benefits and costs if supported by appropriate documentation or analyses.
- E. Market transformation programs shall be analyzed for cost-effectiveness by measuring market effects compared to program costs.
- F. Educational programs shall be analyzed for cost-effectiveness based on estimated energy and peak demand savings resulting from increased awareness about energy use and opportunities for saving energy.
- G. Research and development and pilot programs are not required to demonstrate cost-effectiveness.
- H. An affected utility's low-income customer program portfolio shall be cost-effective, but costs attributable to necessary health and safety measures shall not be used in the calculation.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2413. Baseline Estimation**

- A. To determine the baseline, an affected utility shall estimate the level of electric demand and consumption and the associated costs that would have occurred in the absence of a DSM program or DSM measure.
- B. For demand response programs, an affected utility shall use customer load profile information to verify baseline consumption patterns and the peak demand savings resulting from demand response actions.
- C. For installations or applications that have multiple fuel choices, an affected utility shall determine the baseline using the same fuel source actually used for the installation or application.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2414. Fuel Neutrality**

- A. Ratepayer-funded DSM shall be developed and implemented in a fuel-neutral manner.
- B. An affected utility shall use DSM funds collected from electric customers for electric DSM programs, unless otherwise ordered by the Commission.
- C. An affected utility may use DSM funds collected from electric customers for thermal envelope improvements.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2415. Monitoring, Evaluation, and Research**

- A. An affected utility shall monitor and evaluate each DSM program and DSM measure to:
  1. Ensure compliance with the cost-effectiveness requirements of R14-2-2412;

2. Determine participation rates, energy savings, and demand reductions;
  3. Assess the implementation process for the DSM program or DSM measure;
  4. Obtain information on whether to continue, modify, or terminate a DSM program or DSM measure; and
  5. Determine the persistence and reliability of the affected utility's DSM.
- B. An affected utility may conduct evaluation and research, such as market studies, market research, and other technical research, for DSM program planning, product development, and DSM program improvement.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2416. Program Administration and Implementation**

- A. An affected utility may use an energy service company or other external resource to implement a DSM program or DSM measure.
- B. The Commission may, at its discretion, establish independent program administrators who would be subject to the relevant requirements of this Article.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2417. Leveraging and Cooperation**

- A. An affected utility shall, to the extent practicable, participate in cost sharing, leveraging, or other lawful arrangements with customers, vendors, manufacturers, government agencies, other electric utilities, or other entities if doing so will increase the effectiveness or cost-effectiveness of a DSM program or DSM measure.
- B. An affected utility shall participate in a DSM program or DSM measure with a natural gas utility when doing so is practicable and if doing so will increase the effectiveness or cost-effectiveness of a DSM program or DSM measure.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2418. Compliance by Electric Distribution Cooperatives**

- A. An electric distribution cooperative that is an affected utility shall comply with the requirements of this Section instead of meeting the requirements of R14-2-2404(A) and (B) and R14-2-2405(A).
- B. An electric distribution cooperative shall, on June 1 of each odd year, or annually at its election:
  1. File with Docket Control, for Commission review and approval, an implementation plan for each DSM program to be implemented or maintained during the next one or two calendar years, as applicable; and
  2. Submit to the Director of the Commission's Utilities Division an electronic copy of its implementation plan in a format suitable for posting on the Commission's web site.
- C. An implementation plan submitted under subsection (B) shall set forth an energy efficiency goal for each year of at least 75% of the savings requirement specified in R14-2-2404 and shall include the information required under R14-2-2405(B).

**Historical Note**

New Section made by final rulemaking at 16 A.A.R.  
2254, effective January 1, 2011 (Supp. 10-4).

**R14-2-2419. Waiver from the Provisions of this Article**

- A. The Commission may waive compliance with any provision of this Article for good cause.
- B. An affected utility may petition the Commission to waive its compliance with any provision of this Article for good cause.
- C. A petition filed pursuant to this Section shall have priority over other matters filed under this Article.

**Historical Note**

New Section made by final rulemaking at 16 A.A.R. 2254, effective January 1, 2011 (Supp. 10-4).

**ARTICLE 25. GAS UTILITY ENERGY EFFICIENCY STANDARDS****R14-2-2501. Definitions**

In this Article, unless otherwise specified:

1. "Adjustment mechanism" means a Commission-approved provision in an affected utility's rate schedule allowing the affected utility to increase and decrease a certain rate or rates, in an established manner, when increases and decreases in specific costs are incurred by the affected utility.
2. "Affected utility" means a public service corporation that provides gas utility service to retail customers in Arizona.
3. "Baseline" means the level of gas demand, gas consumption, and associated expenses estimated to occur in the absence of a specific DSM program, determined as provided in R14-2-2513.
4. "CHP" means combined heat and power, which is using a primary energy source to simultaneously produce electrical energy and useful process heat.
5. "Commission" means the Arizona Corporation Commission.
6. "Cost-effective" means that total incremental benefits from a DSM measure or DSM program exceed total incremental costs over the life of the DSM measure, as determined under R14-2-2512.
7. "Customer" means the person or entity in whose name service is rendered to a single contiguous field, location, or facility, regardless of the number of meters at the field, location, or facility.
8. "Delivery system" means the infrastructure through which an affected utility transmits and then distributes gas energy to its customers.
9. "DSM" means demand-side management, the implementation and maintenance of one or more DSM programs.
10. "DSM measure" means any material, device, technology, educational program, practice, or facility alteration designed to result in increased energy efficiency and includes CHP used to displace space heating, water heating, or another load.
11. "DSM program" means one or more DSM measures provided as part of a single offering to customers.
12. "DSM tariff" means a Commission-approved schedule of rates designed to recover an affected utility's reasonable and prudent costs of complying with this Article.
13. "Energy efficiency" means the production or delivery of an equivalent level and quality of end-use gas service using less energy, or the conservation of energy by end-use customers.
14. "Energy efficiency standard" means the reduction in retail energy sales, in percentage of therms or therm equivalents, required to be achieved through an affected utility's approved DSM and RET programs as prescribed in R14-2-2504.
15. "Energy savings" means the reduction in a customer's energy consumption, expressed in therms or therm equivalents.
16. "Energy service company" means a company that provides a broad range of services related to energy efficiency, including energy audits, the design and implementation of energy efficiency projects, and the installation and maintenance of energy efficiency measures.
17. "Environmental benefits" means avoidance of costs for compliance, or reduction in environmental impacts, for things such as, but not limited to:
  - a. Water use and water contamination;
  - b. Monitoring storage and disposal of solid waste, such as coal ash (bottom and fly);
  - c. Health effects from burning fossil fuels; and
  - d. Emissions from transportation and production of fuels.
18. "Fuel-neutral" means without promoting or otherwise expressing bias regarding a customer's choice of one fuel over another.
19. "Gas" means either natural gas or propane.
20. "Gas utility" means a public service corporation providing natural gas service or propane service to the public.
21. "Incremental benefits" means amounts saved through avoiding costs for gas purchases, delivery system, and other cost items necessary to provide gas utility service, along with other improvements in societal welfare, such as through avoided environmental impacts, including, but not limited to, water consumption savings, water contamination reduction, air emission reduction, reduction in coal ash, and reduction of nuclear waste.
22. "Incremental costs" means the additional expenses of DSM measures, relative to baseline.
23. "Independent program administrator" means an impartial third party employed to provide objective oversight of DSM and RET programs.
24. "kWh" means kilowatt-hour.
25. "Leveraging" means combining resources to more effectively achieve an energy efficiency goal, or to achieve greater energy efficiency savings, than would be achieved without combining resources.
26. "Low-income customer" means a customer with a below average level of household income, as defined in an affected utility's Commission-approved DSM program description.
27. "Market transformation" means strategic efforts to induce lasting structural or behavioral changes in the market that result in increased energy efficiency.
28. "Net benefits" means the incremental benefits resulting from DSM minus the incremental costs of DSM.
29. "Non-market benefits" means improvements in societal welfare that are not bought or sold.
30. "Program costs" means the expenses incurred by an affected utility as a result of developing, marketing, implementing, administering, and evaluating Commission-approved DSM programs.
31. "RET" means a renewable energy resource technology application utilizing an energy resource that is replaced rapidly by a natural, ongoing process and that displaces conventional energy resources otherwise used to provide energy to an affected utility's Arizona customers.
32. "RET program" means one or more RETs provided as part of a single offering to customers.
33. "Revenue decoupling" means a mechanism that reduces or eliminates the connection between sales volume and

- the recovery of an affected utility’s Commission-approved cost of service.
34. “Self-direction” means an option made available to qualifying customers of sufficient size, in which the amount of money paid by each qualifying customer toward DSM costs is tracked for the customer and made available for use by the customer for approved DSM investments upon application by the customer.
  35. “Societal Test” means a cost-effectiveness test of the net benefits of DSM programs that starts with the Total Resource Cost Test, but includes non-market benefits and costs to society.
  36. “Staff” means individuals working for the Commission’s Utilities Division, whether as employees or through contract.
  37. “Therm” means a unit of heat energy equal to 100,000 British Thermal Units.
  38. “Thermal envelope” means the collection of building surfaces, such as walls, windows, doors, floors, ceilings, and roofs, that separate interior conditioned (heated or cooled) spaces from the exterior environment.
  39. “Therm equivalent” means a unit of energy, such as kWh, converted and stated in terms of therms.
  40. “Total Resource Cost Test” means a cost-effectiveness test that measures the net benefits of a DSM program as a resource option, including incremental measure costs, incremental affected utility costs, and carrying costs as a component of avoided capacity cost, but excluding incentives paid by affected utilities and non-market benefits to society.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2502. Applicability**

This Article applies to each affected utility classified as Class A according to R14-2-103(A)(3)(q).

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72,

**Table 1. Energy Efficiency Standard**

| CALENDAR YEAR | ENERGY EFFICIENCY STANDARD<br>(Cumulative Annual Energy Savings by the End of Each Calendar Year as a Percentage of the Retail Energy Sales in the Prior Calendar Year) |
|---------------|---|
| 2011          | 0.50%   |
| 2012          | 1.20%   |
| 2013          | 1.80%   |
| 2014          | 2.40%   |
| 2015          | 3.00%   |
| 2016          | 3.60%   |
| 2017          | 4.20%   |
| 2018          | 4.80%   |
| 2019          | 5.40%   |
| 2020          | 6.00%   |

effective March 4, 2011 (Supp. 11-1).

**R14-2-2503. Goals and Objectives**

- A. An affected utility shall design each DSM program to be cost-effective.
- B. An affected utility shall consider the following when planning and implementing a DSM or RET program:
  1. Whether the DSM or RET program will advance market transformation and achieve sustainable savings, reducing the need for future market interventions;
  2. Whether the affected utility can ensure a level of funding adequate to sustain the DSM or RET program and allow the program to achieve its targeted goals; and
  3. If a DSM program, whether the DSM program will achieve cost-effective energy savings.
- C. An affected utility shall:
  1. Offer DSM programs that will provide an opportunity for all affected utility customer segments to participate, and
  2. Allocate a portion of DSM resources specifically to low-income customers.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2504. Energy Efficiency Standards**

- A. Except as provided in R14-2-2518 and R14-2-2519, in order to ensure reliable gas service at reasonable ratepayer rates and costs, by December 31, 2020, an affected utility shall, through DSM and RET programs, achieve cumulative annual energy savings, expressed as therms or therm equivalents, equal to at least 6% of the affected utility’s retail gas energy sales for calendar year 2019.
- B. An affected utility shall, by the end of each calendar year, meet at least the cumulative annual energy efficiency standard listed in Table 1 for that calendar year. An illustrative example of how the required energy savings would be calculated is shown in Table 2. An illustrative example of how the standard can be met in 2020 is shown in Table 4.

**Table 2. Illustrative Example of Calculating Required Energy Savings**

| CALENDAR YEAR | A<br>RETAIL SALES (therms) | B<br>ENERGY EFFICIENCY STANDARD | C<br>REQUIRED CUMULATIVE ENERGY SAVINGS (therms or therm equivalents) (B of current year × A of prior year) |
|---------------|----------------------------|---------------------------------|---|
| 2010          | 100,000,000                |                                 | 0   |
| 2011          | 97,500,000                 | 0.50%                           | 500,000   |
| 2012          | 94,870,000                 | 1.20%                           | 1,170,000   |
| 2013          | 92,411,540                 | 1.80%                           | 1,707,660   |
| 2014          | 90,018,939                 | 2.40%                           | 2,217,877   |
| 2015          | 87,691,512                 | 3.00%                           | 2,700,568   |
| 2016          | 85,427,344                 | 3.60%                           | 3,156,894   |
| 2017          | 83,224,605                 | 4.20%                           | 3,587,948   |
| 2018          | 81,081,521                 | 4.80%                           | 3,994,781   |
| 2019          | 78,996,374                 | 5.40%                           | 4,378,402   |
| 2020          | 76,967,498                 | 6.00%                           | 4,739,782   |

- C. An affected utility may count energy savings resulting from DSM and RET programs to meet the energy efficiency standard. At least 75% of the energy efficiency standard for each year listed in Table 1 shall be achieved through DSM energy efficiency programs.
- D. An affected utility’s energy savings resulting from DSM energy efficiency programs implemented before the effective date of this Article, but after 2004, may be credited toward

meeting the energy efficiency standard set forth in subsection (B). The total energy savings credit for these pre-rules DSM programs shall not exceed 1% of the affected utility’s retail energy sales in calendar year 2005. A portion of the total energy savings credit for these pre-rules programs may be applied each year, from 2016 through 2020, as listed in Table 3, Column A.

**Table 3. Credit for Pre-rules Energy Savings**

| CALENDAR YEAR | A<br>CREDIT FOR THE PRE-RULES ENERGY SAVINGS APPLIED IN EACH YEAR (Percentage of the Total Eligible Pre-rules Cumulative Annual Energy Savings That Shall Be Applied in the Year) | B<br>CUMULATIVE APPLICATION OF THE CREDIT FOR THE PRE-RULES ENERGY SAVINGS IN 2016-2020 (Percentage of the Total Eligible Pre-rules Cumulative Annual Energy Savings That Are Credited by the End of Each Year) |
|---------------|---|---|
| 2016          | 7.5%  | 7.5%  |
| 2017          | 15.0%   | 22.5%   |
| 2018          | 20.0%   | 42.5%   |
| 2019          | 25.0%   | 67.5%   |
| 2020          | 32.5%   | 100.0%  |

- E. An affected utility may count toward meeting the energy efficiency standard up to one-third of the energy savings resulting from energy efficiency building codes and up to one-third of the energy savings resulting from energy efficiency appliance standards, if the energy savings are quantified and reported through a measurement and evaluation study undertaken by the affected utility, and the affected utility demonstrates and documents its efforts in support of the adoption or implementation of the energy efficiency building codes and appliance standards.
- F. An affected utility may count a customer’s energy savings resulting from self-direction toward meeting the energy efficiency standard.
- G. An affected utility may count toward meeting the energy efficiency standard all energy savings resulting from the affected

utility’s sponsorship of RET projects that displace gas. An affected utility may also count toward meeting the energy efficiency standard all energy savings resulting from other RET projects that are not sponsored by the affected utility, if the affected utility can demonstrate that its efforts facilitated the placement and completion of the RET project.

- H. An affected utility’s energy savings resulting from efficiency improvements to its delivery system may not be counted toward meeting the energy efficiency standard.
- I. An affected utility’s energy savings used to meet the energy efficiency standard will be assumed to continue through the year 2020 or, if expiring before the year 2020, to be replaced with a DSM measure or RET having at least the same level of efficiency.

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**Table 4. Illustrative Example of How the Energy Standard Could be Met in 2020**

|   | <b>2020<br/>Energy Efficiency<br/>Standard</b> | <b>2019<br/>Retail Sales (therms)</b> | <b>Required Cumulative Annual<br/>Energy Savings (therms or therm<br/>equivalents)</b> |
|---|--|---------------------------------------|--|
| <b>Total</b>  | 6.00%  | 78,996,374                            | 4,739,782  |
| <b>Breakdown of Savings and Credits Used To Meet 2020 Standard:</b> |  |                                       |  |
|   |  |                                       | <b>Cumulative Annual Energy<br/>Savings Or Credit (therms)</b>                         |
| <b>Pre-rules Savings Credit</b><br>R14-2-2504(D)                    |  |                                       | 359,545*   |
| <b>Building Codes and<br/>Appliance Standards</b><br>R14-2-2504(E)  |  |                                       | 425,000  |
| <b>Self-direction</b><br>R14-2-2504(F)                              |  |                                       | 27,000   |
| <b>RET</b><br>R14-2-2504(G)   |  |                                       | 25,000   |
| <b>CHP</b><br>R14-2-2501(10) and<br>R14-2-2504(C)                   |  |                                       | 135,000  |
| <b>Energy Efficiency</b><br>R14-2-2504(C)                           | At least 75%                                   |                                       | 3,768,237  |
| <b>Total</b>  |  |                                       | 4,739,782  |

\* The total pre-rules savings credit shall be capped at 1% of 2005 retail energy sales, and the total credit is allocated over five years from 2016 to 2020. The credit shown above represents an estimate of the portion of the total credit that can be taken in 2020, or 32.5% of the total credit allowed.

**Historical Note**

New Section R14-2-2504 and Tables 1 through 4 made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2505. Implementation Plans**

- A.** Except as provided in R14-2-2518 and R14-2-2519, on June 1 of each odd year, or annually at the election of each affected utility, each affected utility shall file with Docket Control, for Commission review and approval, an implementation plan describing how the affected utility intends to meet the energy efficiency standard for the next one or two calendar years, as applicable, except that the initial implementation plan shall be filed within 30 days of the effective date of this Article.
- B.** The implementation plan shall include the following information:
1. Except for the initial implementation plan, a description of the affected utility's compliance with the requirements of this Article for the previous calendar year;
  2. Except for the initial implementation plan, which shall describe only the next calendar year, a description of how the affected utility intends to comply with this Article for the next two calendar years, including an explanation of any modification to the rates of an existing DSM adjustment mechanism or tariff that the affected utility believes is necessary;
  3. Except for the initial implementation plan, which shall describe only the next calendar year, a description of each DSM and RET program to be newly implemented or continued in the next two calendar years and an estimate of the annual therm or therm equivalent savings projected to be obtained through each DSM and RET program;
  4. The estimated total cost and cost per therm reduction of each DSM measure and program and each RET and RET program described in subsection (B)(3);

5. A DSM tariff filing complying with R14-2-2506(A) or a request to modify and reset an adjustment mechanism complying with R14-2-2506(C), as applicable; and
  6. For each new DSM measure and program and each RET and RET program that the affected utility desires to implement, a program proposal complying with R14-2-2507.
- C.** An affected utility shall notify its customers of its implementation plan filing through a notice in its next regularly scheduled customer bills following the filing of the implementation plan.
- D.** The Commission may hold a hearing to determine whether an affected utility's implementation plan satisfies the requirements of this Article.
- E.** An affected utility's Commission-approved implementation plan, and the DSM and RET programs authorized thereunder, shall continue in effect until the Commission takes action on a new implementation plan for the affected utility.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2506. DSM Tariffs**

- A.** An affected utility's DSM tariff filing shall include the following:
1. A detailed description of each method proposed by the affected utility to recover the reasonable and prudent costs associated with implementing the affected utility's intended DSM and RET programs;
  2. Financial information and supporting data sufficient to allow the Commission to determine the affected utility's fair value, including, at a minimum, the information

- required to be submitted in a utility annual report filed under R14-2-312(G)(4);
3. Data supporting the level of costs that the affected utility believes will be incurred in order to comply with this Article; and
  4. Any other information that the Commission believes is relevant to the Commission's consideration of the tariff filing.
- B.** The Commission shall approve, modify, or deny a tariff filed pursuant to subsection (A) within 180 days after the tariff has been filed. The Commission may suspend this deadline or adopt an alternative procedural schedule for good cause.
- C.** If an affected utility has an existing adjustment mechanism to recover the reasonable and prudent costs associated with implementing DSM and RET programs, the affected utility may, in lieu of making a tariff filing under subsection (A), file a request to modify and reset its adjustment mechanism by submitting the information required under subsections (A)(1) and (3).

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2507. Commission Review and Approval of DSM and RET Programs**

- A.** An affected utility shall obtain Commission approval before implementing a new DSM program or measure or a new RET program or RET.
- B.** An affected utility may apply for Commission approval of a DSM program or measure or an RET program or RET by submitting a program proposal either as part of its implementation plan submitted under R14-2-2505 or through a separate application.
- C.** A program proposal shall include the following:
1. A description of the DSM program or measure or RET program or RET that the affected utility desires to implement;
  2. The affected utility's objectives and rationale for the DSM program or measure or RET program or RET;
  3. A description of the market segment at which the DSM program or measure or RET program or RET is aimed;
  4. An estimated level of customer participation in the DSM program or measure or RET program or RET;
  5. An estimate of the baseline;
  6. For a DSM program or measure:
    - a. The estimated societal benefits and savings from the DSM program or measure,
    - b. The estimated societal costs of the DSM program or measure, and
    - c. The estimated benefit-cost ratio of the DSM program or measure;
  7. The estimated environmental benefits to be derived from the DSM program or measure or RET program or RET;
  8. The affected utility's marketing and delivery strategy;
  9. The affected utility's estimated annual costs and budget for the DSM program or measure or RET program or RET;
  10. The implementation schedule for the DSM program or measure or RET program or RET;
  11. A description of the affected utility's plan for monitoring and evaluating the DSM program or measure or RET program or RET; and
  12. Any other information that the Commission believes is relevant to the Commission's consideration of the filing.
- D.** In determining whether to approve a program proposal, the Commission shall consider:

1. The extent to which the Commission believes the DSM program or measure will meet the goal set forth in R14-2-2503(A), and
  2. All of the considerations set forth in R14-2-2503(B).
- E.** Staff may request modifications of on-going DSM and RET programs to ensure consistency with this Article. The Commission shall allow affected utilities adequate time to notify customers of DSM and RET program modifications.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2508. Parity and Equity**

- A.** An affected utility shall develop and propose DSM programs for residential, non-residential, and low-income customers.
- B.** An affected utility shall allocate DSM funds collected from residential customers and from non-residential customers proportionately to those customer classes to the extent practicable.
- C.** The affected utility costs of DSM and RET programs for low-income customers shall be borne by all customer classes, except where a customer or customer class is specifically exempted by Commission order.
- D.** DSM funds collected by an affected utility shall be used, to the extent practicable, to benefit that affected utility's customers.
- E.** All customer classes of an affected utility shall bear the costs of DSM and RET programs by payment through a non-bypassable mechanism, unless a customer or customer class is specifically exempted by Commission order.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2509. Reporting Requirements**

- A.** By April 1 of each year, an affected utility shall submit to the Commission, in a Commission-established docket for that year, a DSM progress report providing information for each of the affected utility's Commission-approved DSM and RET programs including at least the following:
1. An analysis of the affected utility's progress toward meeting the annual energy efficiency standard;
  2. A list of the affected utility's current Commission-approved DSM and RET programs, organized by customer segment;
  3. A description of the findings from any research projects completed during the previous year; and
  4. The following information for each Commission-approved DSM program and measure and RET program and RET:
    - a. A brief description;
    - b. Goals, objectives, and savings targets;
    - c. The level of customer participation during the previous year;
    - d. The costs incurred during the previous year, disaggregated by type of cost, such as administrative costs, rebates, and monitoring costs;
    - e. A description and the results of evaluation and monitoring activities during the previous year;
    - f. Savings realized in kW, kWh, therms, and therm equivalents, as appropriate;
    - g. The environmental benefits realized;
    - h. Incremental benefits and net benefits, in dollars;
    - i. Performance-incentive calculations for the previous year;
    - j. Problems encountered during the previous year and proposed solutions;

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- k. A description of any modifications proposed for the following year; and
  - l. Whether the affected utility proposes to terminate the DSM program or measure or RET program or RET and the proposed date of termination.
- B.** By October 1 of each year, an affected utility shall file a status report including a tabular summary showing the following for each current Commission-approved DSM program and measure and RET program and RET of the affected utility:
- 1. Semi-annual expenditures compared to annual budget, and
  - 2. Participation rates.
- C.** An affected utility shall file each report required by this Section with Docket Control, where it will be available to the public, and shall make each such report available to the public upon request.
- D.** An affected utility may request within its implementation plan that these reporting requirements supersede specific existing DSM reporting requirements.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2510. Cost Recovery**

- A.** An affected utility may recover the costs that it incurs in planning, designing, implementing, and evaluating a DSM program or measure or RET program or RET if the DSM program or measure or RET program or RET is all of the following:
- 1. Approved by the Commission before it is implemented;
  - 2. Implemented in accordance with a Commission-approved program proposal or implementation plan; and
  - 3. Monitored and evaluated, pursuant to R14-2-2515.
- B.** An affected utility shall monitor and evaluate each DSM program or measure and each RET program or RET, as provided in R14-2-2515.
- C.** If an affected utility determines that a DSM program or measure is not cost-effective or that a DSM program or measure or RET program or RET does not meet expectations, the affected utility shall include in its annual DSM progress report filed under R14-2-2509 a proposal to modify or terminate the DSM program or measure or RET program or RET.
- D.** An affected utility shall recover its DSM and RET costs concurrently, on an annual basis, with the spending for DSM and RET programs, unless the Commission orders otherwise.
- E.** An affected utility may recover costs from DSM funds for any of the following items, if the expenditures will enhance DSM or RET programs:
- 1. Incremental labor attributable to DSM and RET development,
  - 2. A market study,
  - 3. A research and development project such as applied technology assessment,
  - 4. Consortium membership, or
  - 5. Other items that are difficult to allocate to an individual DSM or RET program.
- F.** The Commission may impose a limit on the amount of DSM funds that may be used for the items in subsection (E).
- G.** If goods and services used by an affected utility for DSM or RET have value for other affected utility functions, programs, or services, the affected utility shall divide the costs for the goods and services and allocate funding proportionately.
- H.** An affected utility shall allocate DSM and RET costs in accordance with generally accepted accounting principles.
- I.** An affected utility, at its own initiative, may submit to the Commission twice-annual reports on the financial impacts of

its Commission-approved DSM and RET programs, including any unrecovered fixed costs and net lost income/revenue resulting from its Commission-approved DSM and RET programs.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2511. Revenue Decoupling**

The Commission shall review and address financial or other disincentives, recovery of fixed costs, and recovery of net lost income/revenue, including, but not limited to, implementation of a revenue decoupling mechanism, due to Commission-approved DSM and RET programs, if an affected utility requests such review in its rate case and provides adequate documentation/records supporting its request in its rate application.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2512. Cost-effectiveness**

- A.** An affected utility shall ensure that the incremental benefits to society of the affected utility's overall group of DSM programs exceed the incremental costs to society of the overall group of DSM programs.
- B.** The Societal Test shall be used to determine cost-effectiveness.
- C.** The analysis of a DSM program's or DSM measure's cost-effectiveness may include:
- 1. Costs and benefits associated with reliability, improved system operations, environmental impacts, and customer service;
  - 2. Savings of both gas and electricity; and
  - 3. Any uncertainty about future streams of costs or benefits.
- D.** An affected utility shall make a good faith effort to quantify water consumption savings and air emission reductions resulting from implementation of DSM programs, while other environmental costs or the value of environmental improvements shall be estimated in physical terms when practical but may be expressed qualitatively. An affected utility, Staff, or any party may propose monetized benefits and costs if supported by appropriate documentation or analyses.
- E.** Market transformation programs shall be analyzed for cost-effectiveness by measuring market effects compared to program costs.
- F.** Educational programs shall be analyzed for cost-effectiveness based on estimated energy and peak demand savings resulting from increased awareness about energy use and opportunities for saving energy.
- G.** Research and development and pilot programs are not required to demonstrate cost-effectiveness.
- H.** An affected utility's low-income customer program portfolio shall be cost-effective, but costs attributable to necessary health and safety measures shall not be used in the calculation.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2513. Baseline Estimation**

- A.** To determine the baseline, an affected utility shall estimate the level of gas demand and consumption and the associated costs that would have occurred in the absence of a DSM program.
- B.** For installations or applications that have multiple fuel choices, an affected utility shall determine the baseline using the same fuel source that would have actually been used for

the installation or application in the absence of a DSM program.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2514. Fuel Neutrality**

- A. Ratepayer-funded DSM shall be developed and implemented in a fuel-neutral manner.
- B. An affected utility shall use DSM funds collected from gas customers for gas DSM programs, unless otherwise ordered by the Commission.
- C. An affected utility may use DSM funds collected from gas customers for thermal envelope improvements.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2515. Monitoring, Evaluation, and Research**

- A. An affected utility shall monitor and evaluate each DSM program and measure and each RET program and RET to:
  1. Ensure compliance with the cost-effectiveness requirements for DSM programs in R14-2-2512;
  2. Determine participation rates, energy savings, and demand reductions;
  3. Assess the implementation process for the DSM program or measure or RET program or RET;
  4. Obtain information on whether to continue, modify, or terminate a DSM program or measure or RET program or RET; and
  5. Determine the persistence and reliability of the affected utility's DSM programs and measures and RET programs and RETs.
- B. An affected utility may conduct evaluation and research, such as market studies, market research, and other technical research, for DSM and RET program planning, product development, and DSM and RET program improvement.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2516. Program Administration and Implementation**

- A. An affected utility may use an energy service company or other external resource to implement a DSM program or measure or RET program or RET.
- B. The Commission may, at its discretion, establish independent program administrators who would be subject to the relevant requirements of this Article.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2517. Leveraging and Cooperation**

- A. An affected utility shall, to the extent practicable, participate in cost sharing, leveraging, or other lawful arrangements with customers, vendors, manufacturers, government agencies, other gas utilities, or other entities if doing so will increase the effectiveness of a DSM program or measure or RET program or RET.
- B. An affected utility shall participate in a DSM program or measure or RET program or RET with an electric utility when doing so is practicable and if doing so will increase the effectiveness of the DSM program or measure or RET program or RET.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72,

effective March 4, 2011 (Supp. 11-1).

**R14-2-2518. Compliance by Gas Distribution Cooperatives**

- A. A gas distribution cooperative that is an affected utility shall comply with the requirements of this Section instead of meeting the requirements of R14-2-2504(A) and (B) and R14-2-2505(A).
- B. A gas distribution cooperative shall, on June 1 of each odd year, or annually at its election:
  1. File with Docket Control, for Commission review and approval, an implementation plan providing information for each DSM and RET program to be implemented or maintained during the next one or two calendar years, as applicable; and
  2. Submit to the Director of the Commission's Utilities Division an electronic copy of its implementation plan in a format suitable for posting on the Commission's web site.
- C. A gas distribution cooperative's initial implementation plan shall be filed with Docket Control within 30 days of the effective date of this Article.
- D. An implementation plan submitted under subsection (B) or (C) shall set forth an energy efficiency goal for each year of at least 75% of the savings requirement specified in R14-2-2504 and shall include the information required under R14-2-2505(B).

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2519. Compliance by Propane Companies**

- A. A propane company that is an affected utility shall comply with the requirements of this Section instead of meeting the requirements of R14-2-2504(A) and (B) and R14-2-2505(A).
- B. A propane company shall, on June 1 of each odd year, or annually at its election:
  1. File with Docket Control, for Commission review and approval, an implementation plan providing information for each DSM and RET program to be implemented or maintained during the next one or two calendar years, as applicable; and
  2. Submit to the Director of the Commission's Utilities Division an electronic copy of its implementation plan in a format suitable for posting on the Commission's web site.
- C. A propane company's initial implementation plan shall be filed with Docket Control within 30 days of the effective date of this Article.
- D. An implementation plan submitted under subsection (B) or (C) shall set forth an energy efficiency goal for each year of at least 50% of the savings requirement specified in R14-2-2504 and shall include the information required under R14-2-2505(B).

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).

**R14-2-2520. Waiver from the Provisions of this Article**

- A. The Commission may waive compliance with any provision of this Article for good cause.
- B. An affected utility may petition the Commission to waive its compliance with any provision of this Article for good cause.

**Historical Note**

New Section made by final rulemaking at 17 A.A.R. 72, effective March 4, 2011 (Supp. 11-1).