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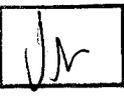
Arizona Corporation Commission
October 19, 2000

AZ CORP COMMISSION
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OCT 19 2000

Commissioner Carl Kunasek
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

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Re: Qwest Case Proceedings – Settlement Negotiations – T – 01051B-99-0105

Dear Commissioner Kunasek:

I am in receipt of your letter dated October 19, 2000. Unfortunately, whenever we disagree on matters pending before this Commission, I have come to expect nothing less than what is contained in your letter; accusations of political maneuvering, personal attacks on matters irrelevant to the public issues I've raised, and mischaracterizations about my own written statements followed by strawman arguments.

You write, "As for your concern *about not having been apprised* of settlement negotiations between staff and Qwest, you are mistaken." This is a misstatement of fact. My October 18, 2000 letter clearly states, "My concern arises from the fact that my office was never conferred with on the issue of *whether to engage in settlement negotiations* with Qwest." Ms. Scott did first inform the Commission during an October 4, 2000 staff meeting that, "Staff and Qwest are very close to reaching a settlement in principle." In fact, it was Ms. Scott's statement – coupled with a subsequent article from The Arizona Republic – which has caused me to more closely scrutinize procedural developments in this matter.

You also write, "As for your suggestion that the Commissioners *need to sign off* on settlement negotiations, there is no such requirement." I agree that there is no such requirement, and that is why I stated that, "the decision to proceed with settlement negotiations is one that *should be made* by a majority of Commissioners..." The US West/Qwest rate application is a very important case for Arizona consumers. In light of the fact that staff and the Commissioners' Wing are both actively working toward the same goal of protecting the public interest, it would seem prudent for staff to keep Commissioners involved in the process where it can; namely, procedural issues such as this one.

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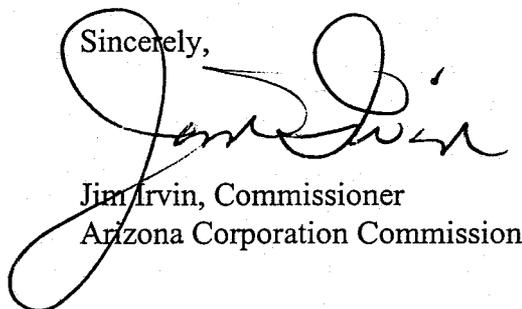
Outside of Director Scott, every Director during my tenure here at the Commission has had the sense – as well as the common courtesy – to seek Commissioner input (and at least provide notice) about important procedural matters (i.e. entering into settlement negotiations) on significant cases before the Commission. To compare this enormous rate case, which impacts millions of Arizona ratepayers, with pay-telephone resolutions or water rate case settlements is utterly ridiculous.

As for the current settlement process between staff and Qwest, my observation to date is that these negotiations have been conducted behind closed doors, without any significant participation by the other parties involved. In fact, details of Staff and Quest's proposed settlement won't be revealed until tomorrow, October 20, 2000. Therefore, either you and Commissioner Mundell were aware and consented to these closed door negotiations, or Ms. Scott acted in an unprofessional manner by notifying Commissioners *after the fact* that settlement negotiations were under way.

For the record, I find it interesting that in 1998, you wanted US West (now Qwest) to file an application for a rate case on your belief that the company was over-earning profits. Decision No. 60928 unequivocally calls for the Commission to "examine all of the Company's cost, expense and revenue levels." You know as well as I, that such an examination is best accomplished through a full-blown rate case, and an evidentiary hearing focusing only on the merits of a proposed settlement avoids the detailed examination as ordered by Decision No. 60928.

I would request that any future correspondence in this matter be limited to the issues, and that any arguments you provide be presented in a clear manner. Otherwise, I will conclude that your interest in the Qwest rate application and its effect on ratepayers in Arizona is outweighed by your desire to attack me personally, instead of my argument or position.

Sincerely,



Jim Irvin, Commissioner
Arizona Corporation Commission

Cc: Commissioner Mundell
Brian McNeil, Executive Secretary
Deborah Scott, Utilities Director
Jerry Rudibaugh, Chief Hearing Officer
Lindy Funkhouser, RUCO Director
All Parties of Record
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