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WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

RECEIVED

Direct Line: 602-542-3933  
Fax: 602-542-5560  
E-mail: MSPITZER@cc.state.az.us

ARIZONA CORPORATION COMMISSION

2002 AUG 26 P 12: 38

August 26, 2002

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Chairman William Mundell  
Commissioner Jim Irvin  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

RE: Arizona Public Service Co. and Tucson Electric Power Company  
Docket Nos. E-00000A-02-0051, E-01345A-01-0822, E-00000A-01-0630,  
E-01933A-02-0069 and

My Fellow Commissioners:

I supported Chairman Mundell's "second look" at Arizona's electric restructuring policy, and recent events have borne out the wisdom of our caution. I appreciate the time and effort expended by the parties and Commission Staff in these dockets.

However, I regret the parties were not able to reach a consensus on the "Track B" dispute, leaving "Track A" in limbo pending our upcoming Open Meeting. I understand the reluctance of a party to "bargain twice" (once *inter sese* and again before the Commission) and I recognize the potential for uncertainty as the Commission's membership expands. Nevertheless, it seemed to me the competitive solicitation process was highly amenable to constructive compromise protecting ratepayers and advancing environmental interests.

I continue to believe Arizona should pursue competitive solicitation, but in a methodical and cautious manner. In addition, Arizona's taxpayers and those doing business in this state have a right to certainty. Therefore, I will offer an amendment to the Hearing Division's fine work to accomplish among other things the following:

1. Authorize Pinnacle West to place the newly constructed West Phoenix generating station under APS and to file for associated cost recovery;
2. Require the newly constructed Redhawk generating station to remain under Pinnacle West Energy;
3. Authorize APS and Tucson Electric Power to file for recovery of appropriate and demonstrated costs with respect to prior Commission orders and rules; and

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Docket No. E-00000A-02-0051 *et al.*

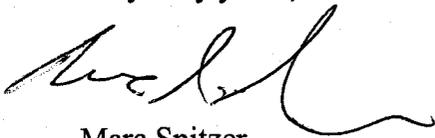
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4. Restate this Commission's directive that the competitive solicitation process commence January 1, 2003.

Protection of ratepayers from volatility and unfair market practices suggests caution with respect to Track A. The public benefits of historically low commodity prices and reductions in harmful air emissions demand action on Track B.

I look forward to fruitful deliberations on August 27.

Very truly yours,



Marc Spitzer  
Commissioner

cc: Docket Control  
All parties on record