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Arizona Competitive Power

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June 27, 2003

AZ. CORP. COMMISSION
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Ernest Johnson
Utilities Division Director
Arizona Corporation Commission

E-00000A-02-0051
E-01345A-01-0822
E-00000A-01-0630
E-01933A-02-0069

RE: Follow up comments to Track B process.
Docket number E-00000A-02-0051 et al

Mr. Johnson,

The members of the Arizona Competitive Power Alliance would like to express our appreciation for the hard work that went into developing and implementing the recent Track B procurement. We recognize that the Commissioners, Staff, Legal and Hearing divisions of the ACC along with the Independent Monitor and numerous parties spent countless hours wrestling with difficult issues.

Now that the first stage of Track B is over and the Independent Monitor's Report has been released, we recommend that a half-day workshop be scheduled to evaluate the lessons from the initial auction, and establish procedures for interim short-term open-market purchases. Further, the workshop will be helpful in identifying issues for Commission Staff to address in review proceedings as set forth in Decision No. 65743¹

Some initial results are apparent; for example, consumers are clearly the big winners. The Alliance and its members have long argued that competition brings lower rates than traditional regulation. The Monitor's Final Report indicates that \$70 million in savings were achieved. We congratulate the Commission on this outcome and look forward to working with APS, TEP, the ACC and staff to develop a mechanism to ensure that these savings are passed on to consumers.

Clearly Track B has been a learning process. We believe there is room for further improvement before the next round of bids. It is our hope that a half-day follow-up workshop will shed some light on several continuing issues and allow the second round of bids to progress more smoothly and ultimately provide even more benefits for consumers.

Sincerely,

Greg Patterson
Director

Arizona Corporation Commission

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¹ Exhibit A, page 27, and also Finding of Fact No. 66. The review processes set forth in the Staff Report at page 27, including the prudency review, are reasonable. We will require that Staff file a report in these dockets by July 15, 2003, or earlier, informing the Commission of its progress in the contemplated reviews described at page 27 of the Staff Report.