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March 9, 2006

HAND-DELIVERED

Chairman Jeff Hatch-Miller
Commissioner Marc Spitzer
Commissioner William A. Mundell
Commissioner Mike Gleason
Commissioner Kristin Mayes
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

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AZ CORP COMMISSION
DOCUMENT CONTROL

Re: **In the Matter of the Application of Arizona Public Service Company for Pre-Approval of Cost Recovery for Participation in the Transwestern Pipeline Phoenix Project; Docket No. E-01345A-05-0895; Commission Open Meeting – March 15 and 16, 2006**

Dear Commissioners:

I am writing on behalf of El Paso Natural Gas Company (“EPNG”) in regard to Arizona Public Service Company’s (“APS”) application to the Arizona Corporation Commission (“Commission”) for pre-approval of cost recovery associated with APS’s participation in the proposed Transwestern Pipeline Phoenix Expansion Project (“APS Application”). As you might be aware, EPNG was granted intervention in these proceedings, without objection, by procedural order dated January 26, 2006.

On March 2, 2006, Utilities Division Staff (“Staff”) issued a Staff Report and Recommended Opinion and Order (“Recommended Order”) in this proceeding. We understand that this matter is scheduled to be addressed at the Commission’s Open Meeting of March 15 and 16, 2006. As a party to this matter, EPNG respectfully requests that the Commission postpone consideration of the Recommended Order to its next regularly scheduled Open Meeting on April 4 and 5, 2006. Granting this request will provide a reasonable time for EPNG to analyze an unredacted version of the Staff Report, as well as certain information recently provided to EPNG by APS pursuant to a protective agreement.

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EPNG recognizes that APS is requesting extraordinary rate relief pursuant to the Commission's Policy Statement Regarding New Natural Gas Pipeline and Storage Costs ("Policy Statement"), issued on December 18, 2003. EPNG supports the Commission's efforts to encourage the development and construction of natural gas infrastructure in Arizona and to streamline proceedings to afford prompt rate relief to Arizona utilities. However, the Policy Statement recognizes that any application for pre-approval of costs associated with a construction project should be closely scrutinized in order to determine whether "specific requests for cost recovery proposals are appropriate to the circumstances for each individual application." The Commission also stressed that changing the dynamics of cost recovery through alternate approaches is "something which should be done very carefully."

Since being granted intervention on January 26, 2006, EPNG has been diligent in its efforts to obtain and analyze information necessary to determine the economic impact of APS's proposal on Arizona ratepayers. EPNG submitted data requests and a proposed form of protective agreement to APS on February 3, 2006, to which APS objected on February 10, 2006. After EPNG filed a Motion to Compel Production of Documents, APS offered to provide information and documents responsive to EPNG's data requests on February 27, 2006, conditional upon the execution of a modified form the protective agreement originally offered by EPNG. EPNG entered into the protective agreement with APS and was provided confidential information on March 1, 2006 – one day before the Staff Report was filed. Staff's legal counsel was kept informed by both APS and EPNG about the ongoing discovery dispute, and the ultimate resolution of that dispute by the parties. At no time has EPNG sought to delay the Commission's process.

Therefore, EPNG is puzzled about Staff's position that "Staff does not believe El Paso's lack of access to confidential information related to the APS – Transwestern agreement will materially impact the Commission's ability to assess the veracity of APS' application." *See* Staff Report at 18. In its Application for Leave to Intervene, EPNG indeed argued that its own economic analysis concerning the underlying assumptions and specific cost data contained in the APS Application will serve the public interest, primarily by verifying the accuracy and completeness of the data and facts on which Staff has relied. While EPNG presumes that Staff has conducted a thorough analysis of the information submitted by APS, there were certain assumptions made by both APS and Staff that EPNG is uniquely situated to verify. Clearly, to the extent that any assumption involves EPNG's facilities or rates, EPNG should be afforded an opportunity to respond if necessary so that the public record in this matter is complete.

EPNG understands that the Commission will be considering non-economic factors in determining whether APS's request for pre-approval of cost recovery is prudent. However, an ability to weigh the significance, or insignificance, of the economic impact to APS customers over the next 15 years is necessary to meet the standards set forth in the Commission's Policy

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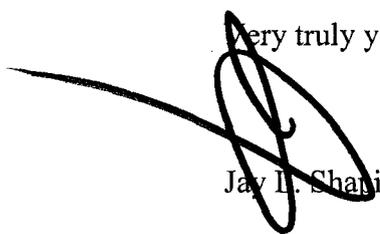
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Statement. EPNG believes that its own analysis of the information provided by APS will assist the Commission in addressing the economic factors at issue.

In short, EPNG desires to meaningfully participate during the Commission's deliberations of this matter, and as a party to this matter, should be given a reasonable opportunity to evaluate the information that has been available to the other parties. Therefore, we believe that postponing consideration of the Recommended Order for 20 days will serve the public interest by providing EPNG the time necessary to complete its analysis. If, after having had an opportunity to review the information recently provided by Staff and APS, EPNG believes that it is appropriate to submit Exceptions to the Recommended Order, it will do so at least 5 days before the April 4, 2006 Open Meeting. The Commission will then have a more complete record on which to base its decision. Conversely, if EPNG determines that further participation in these proceedings is unwarranted, because the data presented to the Commission are accurate and complete for the purposes rendered, El Paso will withdraw as a party, and from further involvement, in these proceedings.

Thank you for your time and consideration of EPNG's request that the Commission postpone the deliberation of the APS Application to its April 4 and 5, 2006, Open Meeting.

Very truly yours,



Jay L. Shapiro

cc: Docket Control (original and 13 copies)
Brian McNeil, ACC Executive Officer
Lyn Farmer, ACC Hearing Division
All parties of record