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ARIZONA CORPORATION COMMISSION

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Parties to Docket No. T-01051-02-0666

May 23, 2003
Arizona Corporation Commission
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AZ CORP COMMISSION
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Re: Qwest/Dex proposed transaction, Docket No. T-01051B-02-0666.

Dear Colleagues and Parties:

The purpose of this letter is to identify certain issues of concern related to Qwest's proposed Dex sale and the proposed settlement filed in this docket by Qwest and Staff. It would be helpful to have a discussion of the following issues on the record for the Commission's consideration. In order for me to make an informed decision on the Qwest/Dex proposed settlement, I am requesting that the parties address these questions during the proceedings scheduled to recommence next week:

- 1. It is my understanding that the State of Washington utility commission is considering a settlement of the Qwest/Dex sale with a total value in benefits of over \$886 million for Washington ratepayers. Will the public interest be served in Arizona if this Commission considers as a condition for approval of the Qwest/Dex transaction, an increase in the amount of the total value of the Qwest/Dex sale for Arizona ratepayers from the proposed \$555.82 million to an amount that is more in line with Qwest's settlement in Washington. (Note, \$555.82 million is the present value of the proposed Arizona settlement's \$72 million per year imputation adjustment for 15 years.)**
- 2. Staff's direct testimony valued the Arizona portion of the Dex sale gain at \$1,040.50 million, which is nearly double the proposed settlement value of \$555.82 million. Will the public interest be served if this Commission considers as a condition for approval of the Qwest/Dex transaction, an increase in the amount of the total value of the benefits to Arizona ratepayers from the proposed Dex sale to reflect more of Qwest's gain from the Dex sale?**
- 3. It is my understanding that other state jurisdictions have approved Qwest's Dex sale with a requirement that there be a bill credit of approximately \$30.00 for Qwest's ratepayers in their states. Will the public interest be served if this Commission considers as a condition for approval of the Qwest/Dex transaction, a similar \$30.00 bill credit for Qwest's Arizona ratepayers?**

4. In addition to a bill credit for customers, will the public interest be served if this Commission considers as a condition for approval of the Qwest/Dex transaction, that Qwest maintain its current rates for a period of five (5) years to stabilize rates and protect ratepayers from potential adverse effects to Qwest's financial condition resulting from the Qwest /Dex sale?

Thank you for your consideration of my concerns in this matter. The parties to the Arizona settlement surely acted in good faith in reaching the stipulation. I applaud the parties' diligent work on the settlement. I feel that Arizona's resolution of this difficult case should be significantly closer to Washington's proposed settlement. I know that the Washington settlement was announced after the Arizona negotiations were completed. I have attached a copy of the Washington settlement for inclusion in the docket and for the convenience of the parties.

I look forward to the parties' testimony and Commission discussion of the above issues during the course of these proceedings.

Sincerely,



William A. Mundell, Commissioner
Arizona Corporation Commission

Enclosure