



To: ACC
1200 W. Washington Street
Phoenix, AZ 85007

2003 MAY 21 A 9 16

Re: Docket # E01032C-00-071 et. al.
May 15, 2003

AZ CORP COMMISSION
DOCUMENT CONTROL

E-01032C-00-0751
G-01032A-02-0598
E-01933A-02-0914
E-01032C-02-0914
G-01032A-02-0914

Dear Sirs,

Mohave County Economic Development authority has followed the Citizens rate case and sale to UniSource very closely.

Arizona Corporation Commission

DOCKETED

We make the following observations, comments, and suggestions to protect the commercial and industrial customers as well as residential ratepayers of Mohave County.

MAY 21 2003

Your Staff Report on page 4 reads:

DOCKETED BY [Signature]

"In May 2000, Citizens applied for approval to sell the AED assets to Cap Rock energy Corporation, a Texas-based electric cooperative. The sales price in the transaction was \$210.0 million while the book value of the \$47 million. The current purchase price offered by unisource is \$92 million while book value is \$187 million resulting in an acquisition discount of \$93.8 million resulting in an acquisition discount of \$93.8 million including the effect of transaction costs. It is reasonable to assume that if Cap rock had consummated the purchase, there would have been efforts to recover the acquisition premium."
If they were as the staff points out entitled to a rate increase based on acquisition premium, why aren't the ratepayers entitled to a rate reduction on the \$93.8 million acquisition discount?

Your staff says on page 42:

"The Settlement agreement includes provisions designed to convey long term benefits. Specifically, these include provisions regarding a reduction in the electric rate base, a commitment not to increase base rates for at least three years, and a possible consolidation of operations.

The negative acquisition premium of \$93 million has the effect of removing half of the electric systems rate base. This will reduce the return and depreciation component of rates by about \$15 million, reducing the electric revenue requirement by this amount. This will be the electric ratepayers' benefit in future ElecCo rate case. This reduction in the return will offset

increases in other system costs, either delaying when a rate case can be filed or reducing the amount requested."

If this is true and the rate base is what determines the Utility Company return how is it to the ratepayers advantage not to "reduce the return and depreciation component of the rates by \$15 million" right now. Why should the ratepayers wait three years to receive a benefit from the \$93.8 million "negative acquisition premium?"

On page 32, the staff report reads:

"An incentive in the Settlement Agreement provides for electrical customers to receive sixty (60) percent of any savings as a result of any successful renegotiations with Pinnacle West Capital Corporation ("PWCC") of the New Contract."

In the past Citizens has always said the electric rate was a pass thru from APS, how can the new company, UniSource now keep 40% or any part of any renegotiated rate? It belongs to the ratepayer if there is a savings.

On page 32, Staff says:

"Customers will have the ability to choose alternative power suppliers in less than two years because the Settlement Agreement requires that the service territories for the present AED/the future ElecCo be open to retail electric competition by December 31, 2004"

Why when Citizens should have done this a long time ago, should the ratepayers have to wait until December 31, 2004? It should be done by December 31, 2003, then it would be of benefit to Mohave County.

In summary the reduction due the ratepayers from the negative acquisition premium of \$93.8 million should be used to offset the proposed \$0.01825 rate increase.

Sincerely,



Roy Dunton

Mohave County Economic Development