



STATE OF ARIZONA
EXECUTIVE OFFICE

FIFE SYMINGTON
Governor

September 24, 1996

Arizona Corporation Commission

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The Honorable Renz Jennings
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, AZ 85007

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Dear Chairman Jennings,

For the record, no one understands better than I the importance of opening up the electric marketplace to competition. With all due respect, my commitment to that principle in all areas is well documented in the public record, while your own is subject to serious question.

Furthermore, and again with all due respect, I must reiterate that reliability is a matter of utmost importance in power delivery. With regard to the elderly and the infirm, it can be a matter of life and death. It is unbecoming of the chairman of the Arizona Corporation Commission to sweep his inattention to this matter under the rug, amid snide insinuations about my motives in writing you what was a completely earnest letter on a matter of public concern.

Your attempt to politicize this issue is especially disappointing in light of your own long record of compliance with "utility interests." The fruit of your leadership on the Corporation Commission has been far sweeter to utilities than consumers. Over the past 12 years, residential rates have increased more than almost every other area in the country. Today, because of your tenure, Arizonans now pay electric rates that are among the highest in the country.

I offer the following facts for you to consider the next time you set out to impugn someone else's motives with regard to Arizona's utilities and their ratepayers:

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1) Seven rate increases in the APS service territory totalling nearly three billion dollars. This includes a 4.94% increase that was allowed to go into effect just one month after you took office. This after campaigning on a platform that rates were too high. As you know, you went on to raise rates three additional times including a 9.07% increase effective 4/1/88. So much for consumer protection.

2) TEP rates went from the lowest in the state to the highest. While rates in almost every part of the country were declining, TEP rates were increased 36%.

3) In 1989, TEP was nearly bankrupted in the wake of inadequate oversight on your part. TEP management was allowed to cut sweetheart deals with other business entities that enriched then TEP executives to the tune of several million dollars at the expense of the ratepayers. This happened after your own staff buried the QED report that highlighted potential significant problems with respect to TEP finances. Tucson ratepayers continue to pay higher rates for this mistake.

4) An unwillingness to require utilities to pass through significant property tax decreases that were enacted in prior legislative sessions. These tax decreases were designed to foster economic growth by lowering the cost of power for consumers and businesses. Additionally, your administration failed to require income tax reductions that resulted from the 1986 income tax changes (federal) to be passed through to ratepayers. To this day, utilities operating under rates that were established prior to 1986 continue to enrich themselves by collecting rates based on a corporate tax rate of 46% rather than the post '86 rate of 34%.

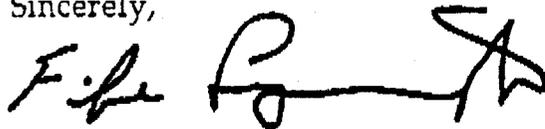
5) Your administration has required ratepayers to pay higher rates to cover the utilities property taxes that are supposed to be remitted to the appropriate governmental authority. Instead, more than 30% of the utilities that you regulate collect these taxes but fail to remit them. In spite of this and with full acknowledgement of the problem you continue to grant rate increases. Thus, you have stood idly by while ratepayers have been ripped off by utility owners with full knowledge by the commission.

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I regret this lengthy digression from the issue at hand, which is how to ensure improved reliability while moving quickly ahead with a competitive marketplace in electricity. I will be prevailing upon the Western Governors' Association to take up this issue at its next meeting, because reliability is a regional issue which Arizona cannot address alone. For the record, I support competition and believe that all ratepayers, large and small, should benefit on the same terms and time schedule as the large industrials. Contrary to the political spin that you have championed to the press, I favor competition on a faster schedule than your staff has proposed, provided critical issues have been resolved.

I stand by my statement that your agency is moving frivolously; in doing so it is you who may be playing into the hands of utilities. To date no formal hearings have been conducted and the majority of the work that lead to the promulgation of proposed rules was conducted by your staff in private, behind closed doors. Apparently, you are too willing to take the utilities at their word.

Sincerely,

A handwritten signature in black ink, appearing to read "Fife Symington". The signature is stylized with a large, sweeping "F" and a long horizontal line extending to the right, ending in a sharp upward stroke.

Fife Symington
GOVERNOR