



OPEN MEETING AGENDA ITEM
CENTER FOR THE FUTURE OF ARIZONA

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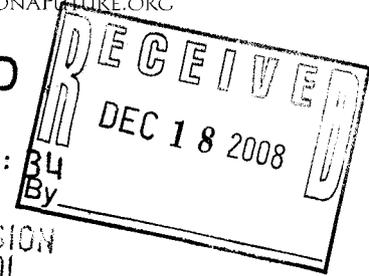


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AZ CORP COMMISSION
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December 17, 2008

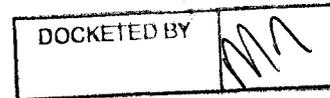
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Arizona Corporation Commission
 Commissioners Wing
 1200 W Washington
 Phoenix, AZ 85007

E-01345A-08-0172

Attn: Chairman Mike Gleason
 Commissioner Jeff Hatch-Miller
 Commissioner Kristin Mayes
 Commissioner William Mundell
 Commissioner Gary Pierce

Arizona Corporation Commission
DOCKETED
 DEC 18 2008



Dear Mr. Chairman and Commissioners:

The Center for the Future of Arizona has been evolving a Vision for Arizona since 2005, talking with dozens of elected officials, city councils, boards of supervisors, chambers of commerce and business leadership groups around the state as we have done so. While many of the features of the Vision for Arizona draw active comment, among them such issues as quality of education, access to health care, a robust economy, and sustainable growth, none is more regularly or forcefully stated than the need for an infrastructure that will properly accommodate Arizona's growth in the years ahead. Many have said to us that more must be done to improve and expand our infrastructure if Arizona is to be truly ready for the population growth that lies ahead.

The report entitled "Arizona 2030: Preparing for an Arizona of 10 Million People" presented at a November 17, 2008 Conference at ASU makes several important points related to Arizona's infrastructure needs:

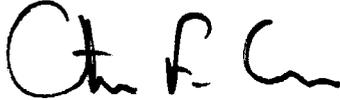
- The construction of the state's infrastructure has not kept pace with the state's growth over the last 15 years;
- Arizona's existing physical infrastructure is aging, leading to an increased need for renovation;
- Arizona's recent population and employment growth is expected to continue, creating a substantial demand for new infrastructure; and
- The costs of putting quality infrastructure in place have increased substantially in recent years.

It is against this background that Professors Jeffrey Coles' and Dennis Hoffman's article in today's *Arizona Republic* deserves special attention, especially its statement that Arizona Public Service's bond rating is BBB-, just above junk bond status. It is my understanding that the weak

bond rating is the result of bond analysts who do not believe APS will be able to obtain the rate increases necessary to invest in the infrastructure necessary to meet future demand.

While the small, interim rate increase APS currently has before the Commission will not solve the long term infrastructure obligations the company faces, it will be an important step in assuring the financial community that APS will be in a strong position to meet its infrastructure obligations, hopefully with an improved bond rating as it does so. I urge you to act favorably on the proposal before you.

Sincerely,

A handwritten signature in black ink, appearing to read "Lattie F. Coor". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

Lattie F. Coor
Chairman and CEO
Center for the Future of Arizona
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