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RESIDENTIAL UTILITY CONSUMER OFFICE

2828 NORTH CENTRAL AVENUE • SUITE 1200 • PHOENIX, ARIZONA 85004 (602) 279-5659 • FAX: (602) 285-0350

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DOCUMENT CONTROL

Jane Dee Hull
Governor

Greg Patterson
Director

August 5, 1999

Arizona Corporation Commission
DOCKETED

AUG 05 1999

Patrick Black
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

DOCKETED BY *Wcm*

Re: APS Settlement Proposal - Docket Nos. E-01345A-98-0473; E-01345A-97-0773 and RE-00000C-94-0165.

Dear Mr. Black:

I am in receipt of your letter of July 29, 1999. Your letter suggests that the settlement that Mr. Rose negotiated before his departure was superior to the settlement currently before the Commission. Based on a comparison of the two settlements, I must disagree. I find the current settlement to be superior for the following reasons:

- Mr. Rose negotiated the earlier settlement without input or participation from any consumer. The current settlement had input from all classes of consumers.
- Mr. Rose's settlement included \$533 million of stranded investment and no write off. The current settlement includes \$350 million of stranded investment and a \$234 million write off.
- Mr. Rose's settlement would have reduced rates 4.5%. The current settlement reduces rates 7.5%.
- Contrary to your assertion, Commission staff was invited to attend and participate in the negotiations of the current settlement, and sent Mr. Bullis, who attended all but one session (he was unable to attend and suggested that the meeting be held without him or another representative of the Commission).

I am amazed that you continue to allege that RUCO somehow failed to analyze the settlement properly. I attempted to explain the details involved in a technical analysis of stranded costs to Commissioner Irvin during the hearing.

Patrick Black
August 5, 1999
Page 2

Yes, Patrick, we analyzed the stranded cost investment filing made by APS. Ironically, you continue to refer to staff's "independent analysis of issues," but look at the result. Our stranded investment number is \$234 million lower than the one you are supporting. The bottom line is the bottom line and rates are lower under our settlement than under Mr. Rose's. Period.

And finally, please don't mischaracterize my remarks in the Tribune to be some sort of criticism of Messrs. Kunasek and West. It was the heavy handedness and gross lack of due process in the last settlement that has delayed this process.

This settlement is good for consumers and I recommend that Commissioner Irvin vote for it.

Sincerely,

A handwritten signature in black ink, appearing to be 'G. Patterson', written in a cursive style.

Greg Patterson
Director

cc: Docket Control
All Parties of Record