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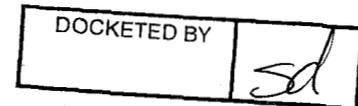
RE-00000C-94-0165
E-01345A-98-0473
E-01345A-97-0773

November 25, 1998

BY FAX: 602 542-0752

Arizona Corporation Commission
DOCKETED

DEC 01 1998

Renz Jennings
Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Dear Mr. Jennings:

As a registered Republican and resident of Yavapai County, I am writing to express my concern about the pending discussion in connection with Arizona Public Service rate setting for the Cyprus Bagdad Mines. It is my understanding that the current provider contract between Cyprus Bagdad Mines and A.P.S. will expire in the near future. It is also my understanding that with the impact of utility deregulation, any new contract for Cyprus Bagdad will include a significant rate increase overall as a result of the current tariff structure.

In considering the impact of any cost increases to Cyprus Bagdad, I would request that you bear in mind these facts:

- The proposed increase by A. P. S. in overall power costs to Cyprus Bagdad would result in an increase of over \$2 million annually.
- The power supply to Bagdad represents 20.3% of the mine's variable operating costs.
- The mine previously paid for upgrades to the substation and line over which the power is transported.
- A.P.S. does not maintain any reserves for the Bagdad load--the mine's power load remains 100% interruptible.
- Cyprus Bagdad Mine is A.P.S.' largest customer in this area.

Other important issues to consider:

- Cyprus Bagdad Mine is the largest tax payer in Yavapai County providing approximately \$55,200,000 in annual payroll, directly and indirectly, to employees in the area.
- The Mine provides employment directly to 520 employees and indirectly to approximately 2,700 employees in this area.
- Mine management indicates that a cost increase of this size in light of current copper prices would, without doubt, bring the mine to a shutdown.

It would appear prudent for members of the Corporation Commission to consider that a rate increase to an entity which ultimately results in its closure is a "lose—lose" situation for more than just the failing company. I urge that all the parties to this pending transaction consider the consequences in the longer term as well as the potential impact of any decision to the surrounding community.

Sincerely,

Karen F. Rizk

CC: Governor Jane Hull