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February 5, 1998

GRANT WOODS
ATTORNEY GENERAL

MAIN PHONE : 542-5025
TELECOPIER : 542-4085

Arizona Corporation Commission
DOCKETED

FEB 09 1998

DOCKETED BY

Deborah R. Scott
Chief Counsel
Residential Utility Consumer Office
2828 North Central, Suite 1200
Phoenix, AZ 85004

Re: Electric Utility - Additions to Stranded Cost Docket Issue Matrix

Dear Deborah:

The following are the Attorney General's additions to the Stranded Cost Docket Issue Matrix:

Issue 3. What costs should be included in s/c and how should those costs be calculated?

Please add: The market should decide what is economic and what is not. Some assets may be more valuable after competition.

Issue 3a. What is the recommended calculation methodology, and what assumptions are made, including determination of market clearing price?

Please add: For IOUs stock split after competition - market price for split off stock. For non IOU's asset sale, divestiture or bid - what market will pay.

Issue 3b. What are the implications of SFAS No. 71 resulting from the recommended s/c calculation and recovery methodology?

Please add: Accounting rules will be taken into consideration by market place investors.

Issue 4. Limitation on calculation period?

Please add: Stock split when rules become certain, value shortly after (i.e., 60 days).

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Issue 6. Who should pay for s/c? Who, is anyone, should be excluded?

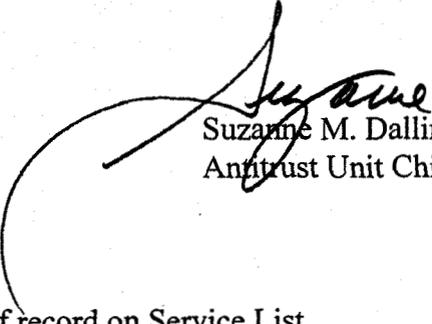
Please add: 70/30 sharing between all users and investors based on all users' historical usage.

Issue 8. Should there be a Rate Cap/Price Freeze? How should it be calculated?

Please add: No. Could harm ratepayers.

Thank you for your coordination efforts on this matter. Please call us if you have any questions.

Sincerely,



Suzanne M. Dallimore
Anti-trust Unit Chief

SMD/sz

Copies mailed to all parties of record on Service List