

Arizona Corporation Commission
DOCKETED



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2211 East Edna Avenue
Phoenix, AZ 85022
February 19, 1998

RE-00000-94-0165

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DOCKETED BY
Dear Kenz, XMP

RECEIVED
ARIZONA CORPORATION COMMISSION

re: Stranded cost docket

By now I am sure you have heard that I have accepted an offer of employment from Citizens Utilities. Because it is very important to me what people think of me, particularly those who I respect very much such as yourself, I wanted to send this brief letter to you, explaining the circumstances of my new situation.

I am sure there will be those people that will allege that I somehow sold out, particularly since I supported stranded cost recovery in the evidentiary proceedings. The testimony I gave in the Stranded Cost proceeding is the way I truly feel on the issue of cost recovery. It was necessary for me to testify to somehow bring closure to my experience as Director.

I know there are those that have begun to characterize me as pro-company, but as I have adamantly stated, I believe that regulators have a duty to balance the interests of both consumers and investors. That includes a fair opportunity to recover the costs of providing service. Throughout my professional career, from that principal I have not waived. As far as stranded costs go, I actually feel the Rules as they are written guaranteeing 100% stranded cost recovery are overly generous to the companies. I believe that the utilities chances for cost recovery should neither be enhanced nor diminished with the introduction of retail competition. They deserve only a fair opportunity, not a guarantee.

To illustrate that I have always tried to strike a proper balance between consumers and investors, the following is a summary of some of the cases I worked on as a consultant to the ACC Staff:

	Company Request	Dabelstein Recommendation	ACC Order
U.S. West	\$72 million	\$27 million	\$27 Mil
Sun City W/WW	\$2.4 million	\$1.2 million	\$1.5 Mil
Contel-West	\$2.3 million	\$782 thousand	\$782 K
Contel-Calif.	\$715 thousand	\$307 thousand	\$307 K

As I am sure you recall, I was also the project manager on the management audit of TEP which uncovered all the Ted Welp/Inner Grieve doings.

I began receiving employment inquiries almost the next day after I resigned as Director. Knowing that I planned to testify, and not wanting to taint in any way my ability to do so, I told every inquiring party to wait until after I was finished testifying. All honored that request. No discussions or negotiations were conducted until I completed testifying.

One of the inquiries I received was from Bob O'brien at Citizens with whom I have opposed in at least a half dozen cases here in Arizona. I generally won most of the issues. Bob said that while we may have had our differences in regulatory philosophy, he respected my abilities. As we discussed the possibility of my coming aboard, I specifically asked about situations where we may continue to disagree.

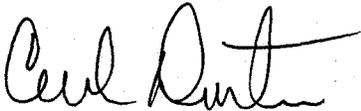
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He agreed that I will never be asked to support a position with which I do not agree. I believe he is sincere with that promise. If not, I will not stay with the Company.

Another reason for considering employment with Citizens is the ability to continue to reside here in Phoenix. To try to sell the house we just bought would be financially devastating.

I hope the above sheds some light on my present situation and how it came about. Since I will remain in Arizona, our paths will surely cross in the future, and I am looking forward to that. I hope you do not think ill of me for going with a company. I wish you the best of luck in your future endeavors and thank you for all of your support during my stay with the Agency.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carl Dunt". The signature is written in dark ink and is positioned below the typed name "Carl Dunt".