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JIM IRVIN
COMMISSIONER-CHAIRMAN
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CARL J. KUNASEK
COMMISSIONER



ORIGINAL STUART R. BRACKNEY
ACTING EXECUTIVE SECRETARY

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ARIZONA CORPORATION COMMISSION

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March 26, 1999

RE-00000-94-0165

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Honorable Carl Kunasek
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

MAR 26 1999

Re: Proposed Changes to Electric Competition Rules

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Dear Commissioner Kunasek:

This letter is in response to your letter dated March 17, 1999, concerning the Electric Restructuring Rules and Stranded Cost Decisions.

To clarify, I believe that the Hearing Division has issued *proposed* changes to these decisions – changes that have not been the subject of public scrutiny. Moreover, while you remain hopeful that the parties will be able to reach consensus on many of the issues, I am sure that you are aware that the most important party – Commission staff – has been relegated to the status of “observer” rather than “participant” in the negotiations.

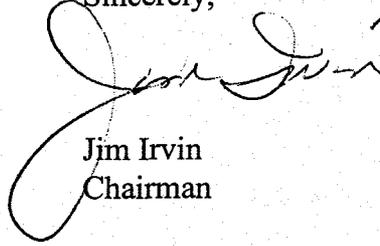
Decision No. 61311, which stayed the Electric Competition Rules, states, “Furthermore, the Commission should establish a Procedural Schedule that sets guidelines with full public and due process, for a program to bring electric competition to Arizona.” Given this reasoning, I find it contrary to the Commission’s decision in staying the rules to propose changes without full public hearings. Vice Chief Justice Charles E. Jones wrote:

“To consider adequately the interests of taxpayers and rate payers and to balance those interests carefully against the interests of investors in private utility companies, the Commission must allow sufficient time to prepare, evaluate and present the evidence.”

It would be a disservice to Arizona consumers to adopt proposed changes to the Rules based on written comments submitted by Affected Utilities, Electric Co-operatives and large industrial customers. As for the Stranded Cost decision, no additional evidence has been provided – either through written comments or oral evidentiary hearings – to warrant its proposed change.

Although I disagree with the decision to stay the Rules in the first place, I am not closed to considering proposed changes that have weathered an open process which includes not only the stakeholders, but the public at large. The threshold question remains: how are these proposed changes in the public interest? Until we comply with the language contained in Decision No. 61311, as well as the guidance provided by Justice Jones, I cannot support including recommended changes for discussion and decision in the near future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim Irvin". The signature is written in black ink and is positioned above the printed name and title.

Jim Irvin
Chairman

cc: Commissioner Tony West
Paul Bullis
Ray Williamson

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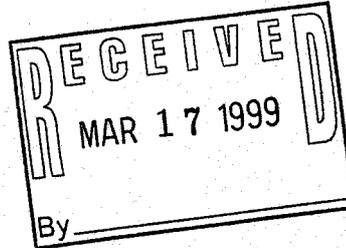
STUART BRACKNEY
ACTING EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

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March 17, 1999

Honorable Jim Irvin
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007



Dear Chairman Irvin:

As you are aware, the Hearing Division has issued changes to the Electric Restructuring Rules as well as the Stranded Cost Decision. The Hearing Division is currently awaiting a decision from the Commissioners before issuing a procedural order that would establish time-lines for resolving the remaining issues.

While I remain hopeful that the parties will be able to reach consensus on many of the issues, I am not prepared to wait for that eventuality.

The biggest inducement we can provide for a settlement is to establish drop-dead dates for Commission resolution.

As I have said repeatedly, a settlement is viable only if all major stakeholders come to such resolution. I am concerned that we are repeating the mistakes of last year by not establishing hearing dates to decide issues not resolved through consensus.

I would encourage you and Commissioner West to include for discussion and decision the recommend changes to the Electric Restructuring Rules and Stranded Cost Decision no later than the next Open Meeting.

Please let me know your opinion on this matter.

Sincerely,


Commissioner Carl Kunasek

cc: Commissioner West
Paul Bullis
Ray Williamson