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ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Commissioner

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February 19, 2008

Mr. Douglas Mann
President
SemStream Arizona
200 West Longhorn Road
Payson, AZ 85541

Re: Propane Prices in Payson

Dear Mr. Mann:

The Corporation Commission has recently received numerous complaints about increasingly high propane prices in Payson. After talking with Commission Staff, I understand that the monthly PGA mechanism allows for 16 cents per therm, and, because of large, under-collected balances, this has been increased to 55 cents per therm. I further understand that because propane is a combination of oil and natural gas, its price tracks close to that of oil.

Nevertheless, I would like to inquire what steps the company is taking to mitigate the high propane prices for its customers. For example, does the company have a low-income assistance program? Does the company have an equalizer program which would spread the peak prices across a twelve month time period, equalizing the monthly rates and preventing severe winter price shocks? Additionally, does the company have any plans to phase out the surcharge, and if so, when does Semstream anticipate the elimination of the surcharge?

Further, Staff has received some customer bills which show a thirty-seven day billing period. Please explain why these billing periods have been greater than thirty days and describe what steps the company can take to return to a standard thirty day billing period.

Finally, I will be recommending that the Commissioners hold a town hall in Payson to open discussion on these issues. I hope that the town hall will allow customers to express their concerns and for all parties involved to consider potential ways to alleviate the high costs of propane for Payson's residents in the winter months.

Thank you for your attention to this matter.

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Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", with a long horizontal flourish extending to the right.

Kris Mayes
Commissioner

cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Dean Miller
Ernest Johnson
Rebecca Wilder