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ARIZONA CORPORATION COMMISSION

March 5, 2004

The Honorable John McCain
United States Senate
241 Russell Senate Office Building
Washington, D.C. 20515

Dear Senator McCain:

As you know, natural gas bills have skyrocketed in many rural communities across Arizona. I am writing today to urge you and our delegation to craft a coherent, workable and sustainable national energy policy. The current federal government policy encourages the use of natural gas but does not address the corresponding need for developing domestic gas supplies. The landmark 2003 report, released by National Petroleum Council, contends that maintaining these conflicting policies will result in "undesirable impacts to consumers and the economy, if not addressed."

As evidenced by the citizens' outcry over rising prices in natural gas, the problem has already come home to roost in the form of rate shock for many Arizonans living in rural areas. UniSource Energy, the new natural gas provider for much of rural Arizona, has been forced to purchase natural gas on the wholesale market at near historical prices. Moreover, the rate shock for these same Arizonans has been compounded by attendant spikes in propane and gasoline prices. Arizonans, like all Americans, are entitled to reliable and reasonably-priced energy and fuel.

Many factors have contributed to the price unpredictability of natural gas, including limited reserves and colder weather. Moreover, the national movement toward more gas-fired electric generation has greatly affected the supply and economics of natural gas. As a result, wholesale gas prices have jumped and the deliverability of some of the more mature supply basins has declined.

Congress needs to correct its self-contradictory national energy policy. For the last decade the various government agencies, including U.S. Environmental Protection Agency, have promoted clean-burning abundant natural gas as an environmentally friendly fuel. However, the U.S. Bureau of Land Management and other departments have systematically restricted access to natural gas in the Rocky Mountains, the Arctic National Wildlife Refuge and North Slope.

I believe a reliable, reasonably-priced, environmental conscientious energy future is attainable, only if Congress makes significant changes in energy policy. The energy policy should strive to make advances in exploration, production technology and expansion of infrastructure.

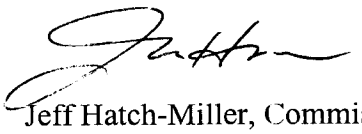
With respect to natural gas, I believe it is necessary for Congress to pursue these broad policy objectives:

- Continue improvements in energy production and efficiency.
- Enact legislation authorizing natural gas exploration in Alaska and the construction of an Alaskan gas pipeline.
- Streamline the permitting processes to allow increased drilling in the Rocky Mountains.
- Commence drilling in the Gulf of Mexico and the offshore East and West coasts.
- Sustain and augment the nation's natural gas infrastructure.
- Require coordination and cooperation among the various governmental agencies and departments to ensure effective implementation.

As part of a national energy policy, Congress should recognize that fuel diversity for the production of electricity is a critical component. Among the candidates for fuel diversity are clean-coal technologies, new generation nuclear, hydrogen-fuel cells, and renewable technologies, including solar, bio-mass, wind and geothermal.

My plea for a sensible and consistent national energy policy is sincere, and I hope you and your colleagues will work for its development and passage. Thank you for your cooperation.

Sincerely,



Jeff Hatch-Miller, Commissioner
Arizona Corporation Commission

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