WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

Direct Line:602-542-3935
Fax: 602-542-0752
E-mail: wmundell@cc.state.az.us

January 30, 2002

Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED
2002 JAN 29 P 4: 36
AZ CORP COMMISSION
DOCUMENT CONTROL

Re: Generic Docket for Electric Restructuring
Docket No. E-00000A-02-0051

Dear Commissioners and Interested Parties:

The recent press on the events leading to the Enron situation raises concerns about the quality of regulatory oversight over holding companies of public utilities and other entities providing services directly or indirectly in Arizona's retail electric markets. From press reports, it appears that Enron's situation was hidden from public view as a result of Enron's use of a holding company form, the use of affiliates, transactions among affiliates, and questionable accounting and financing activities. While the ramifications of Enron's demise for retail electric consumers are not yet known, it is clear from the news articles that Enron's use of the holding company form exacerbated the difficulties of regulatory oversight, with possible ramifications for retail energy consumers.

I am issuing these supplemental questions to interested parties to gather more information on how the use of holding companies and corporate affiliates, and transactions among them, affect Arizona markets. I also seek information concerning the interested parties' views on the Commission's authority related to the corporate structures through which an entity may serve Arizona consumers. This information may be useful in determining the most appropriate market and regulatory structure for protecting Arizona consumers.

Interested parties are requested to docket their responses to the attached supplemental questions on or before February 25, 2002 or as directed by Procedural Order.

Sincerely,

William A. Mundell

William A. Mundell
Chairman

Attachment

ARIZONA CORPORATION
COMMISSION
RECEIVED
JAN 30 2002
Director of Utilities

cc: Brian McNeil, Executive Secretary
Ernest Johnson, Utilities Division Director
Chris Kempley, Chief Counsel
Lyn Farmer, Chief Hearing Officer
All Parties of Record

Generic Electric Restructuring	Docket No. E-00000A-02-0051
Electric Competition Rules	Docket No. RE-00000C-00-0275
AISA	Docket No. E-00000A-01-0630
APS Variance	Docket No. E-01345A-01-0822

Chairman Mundell's Supplemental Questions
Electric Restructuring Docket No. E-00000A-02-0051

For the purposes of the questions below --

1. an "affiliate company" means (a) any person or company that owns or has the power to control the outstanding securities of 5% or more of the entity or (b) any officer or director of the entity;

2. a "retail supplier" may be a public utility, including a distribution company or a competitive provider of energy or other retail electric services such as Electric Service Providers (ESPs) under our rules;

3. a "subsidiary company" means any company in which the entity owns or controls five percent or more of the outstanding securities of such company.

Corporate Structure and Affiliate Relations

1. If the U.S. Congress repeals the Public Utility Holding Company Act of 1935 ("PUHCA" or "Act") PUHCA --

   a. what regulatory protections would be lost for Arizona consumers?

   b. what would be the risks for Arizona consumers?

   c. for any identifiable risks, are the risks reduced or increased under a competitive retail regime?

2. What is the extent of the Commission's authority to protect retail consumers from any potential adverse consequences resulting from multistate companies operating in either wholesale or retail markets in the state?

3. How would the existence of effective retail competition in Arizona affect your responses to Questions 1 and 2 above?

4. What is the extent of any impact on effective federal or state regulation to protect Arizona wholesale and retail consumers, if a holding company is (a) registered or (b) "exempt" under PUHCA?

Questions Specifically for Retail Suppliers as Defined Above

5. Explain the retail supplier's corporate structure.

6. Identify all subsidiary companies and the businesses in which they are engaged.

7. Identify all affiliate companies and the businesses in which they are engaged.

8. Identify each entity that owns or has control of 5% or more of an affiliate of the retail supplier, and describe the businesses in which that entity is engaged.

9. Describe the financial relationships among the various affiliates and subsidiaries, such as pledges of assets and encumbrances and contracts for services and goods.

10. Explain whether the retail supplier, or any affiliate or subsidiary of the retail supplier, is regulated by the Securities and Exchange Commission (SEC) as either an "exempt" or "registered" public utility holding.

11. Identify any waivers or "no-action" letters the retail supplier, its affiliates, its subsidiaries, or other associated companies has received in the last 15 years from the SEC under PUHCA or the Investment Act of 1940 or from FERC under the Federal Power Act.

12. Provide copies of filings to the SEC and FERC made by the retail supplier and any affiliates or subsidiaries in the last five years pursuant to the agency's administration of PUHCA.

13. If the retail supplier is a subsidiary of a registered holding company, identify any SEC-approved contracts with affiliates or subsidiaries in the last 5 years.

Divestiture or Corporate Separation

14. How would the divestiture or transfer of assets of vertically integrated utilities now serving Arizona affect the Commission's regulatory authority over the divested entities? What controls or limitations might the Commission place on divestiture or transfer of assets to limit any loss of authority over the divested assets?

15. How would the divestiture or transfer of assets of vertically integrated utilities now serving Arizona affect federal jurisdiction under the FERC and the SEC over the divested entities?

16. How would the potential effects of divestiture or transfer of assets on Commission authority differ under a competitive retail regime than under a monopoly regime?

17. How would a requirement that competitive services, such as generation services, be offered only through a separate corporate affiliate affect the Commission's regulatory authority and any risks identified in response to the questions above?

18. For any risks resulting from a divestiture requirement or a requirement that

competitive services be offered through separate affiliate, how might those risks be eliminated or reduced? Specifically --

a. What actions might the Arizona Commission take?

b. Are there actions that the Commission might encourage the FERC or the SEC to take to maintain adequate oversight for the protection of ratepayers?