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AZ CORP COMMISSION
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The Honorable Jeff Hatch-Miller
Chairman, Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Dear Chairman Hatch-Miller,

Well, here we go again with APS requesting even more money out of their ratepayers!
Surprise! Surprise!

Please excuse me if I sound just a little upset in this letter. I have tried refraining from placing blame and writing with my emotions, but as you well know, this is an emotional issue.

I have written on several occasions and have stated that once you allow APS to raise their rates to pay for their incompetence, that you will see repeated requests. I hate the fact that I was **right** and despise the fact that the Corporation Commission has approved those rate requests. You and RUCO are supposed to be looking out for the consumer's best interest and the best interest of the state. For some reason I find that difficult to believe.

Let's go through the list of APS rate increase requests and record of incompetence, shall we?

- **Source - The Arizona Republic, April 12, 2005 - 1998 - APS received a \$55,000 penalty for a nuclear safety violation**
- **Source - The Arizona Republic, April 12, 2005 - APS fined for nuclear safety flaw, \$50,000 - "APS spokesman, Jim McDonald said the penalty would be paid for by shareholders and not ratepayers."**
- **Source - azfamily.com, October 4, 2005 - Leaking oil seal prompts another unit shutdown at power plant - "A reactor at the Palo Verde Nuclear Generating Station has been shut down for the third time this year due to a leaking oil seal..." - "Leaking oil seals also forced the reactor's shutdown in May and July."**
- **Source - azcentral.com, The Arizona Republic, October 13, 2005 - Palo Verde now is completely off-line "The shutdown almost certainly will boost electricity prices as utilities that count on relatively inexpensive Palo Verde ..." - "State regulators have other concerns. Arizona Corporation Commission members are worried that ratepayers will be burdened with the costs of the outages."**

Commissioner Marc Spitzer said.” ““We need to ask who pays for this,” Mayes said.” “I would tend to believe the shareholders need to cover this expense.”

- **Source - The Arizona Republic, January 7, 2006 - APS seeking 14% emergency hike in rates** - “Citing the dramatic rise of natural gas prices and press from Wall Street, (APS) on Friday asked the Arizona Corporation Commission to approve an emergency request to raise electricity bill 14 percent beginning April 1.” (according to Jack Davis, this is strictly fuel)
- **Source - The Arizona Republic, January 13, 2006 - APS execs to give up annual bonuses** - “...top executives will recommend they forgo salary incentives this year because of the utility’s financial struggles and pending request to recover more than \$500 million from ratepayers...A year ago, the top five APS executives earned more than \$3 million in incentive pay.” (So why haven’t they given up their bonuses in years prior considering the financial trouble the company has been in?)
- **Source - The East Valley Tribune, January 13, 2006 - APS execs to skip bonuses** - “Davis prefers to call the bonuses “incentives” for meeting certain corporate goals. Whatever they are named, he got \$1 million worth of them in 2004 on top of his \$716,674 salary.”
- **Source - The Arizona Republic, January 25, 2006 - APS rates may rise nearly 7%** - “Still on the table is a request to raise electricity bills 14 percent more.”
- **Source - The East Valley Tribune, January 25, 2006 (opinion section)** - “How big of APS executives not to take bonuses for 2006...How about 20 percent off their salary? Let’s see if Mr. Davis can live on only \$573,339 a year. Yes sir, that’s really roughing it.”
- **Source - The Arizona Republic, February 3, 2006 - APS seeks 2.6% rate increase to offset outage and fuel costs** - “...to pay for costs related to last year’s outages at Palo Verde...and other fuel costs.”
- **Source - East Valley Tribune, February 7, 2006 (letters section) - Timing right for APS rate increase** - “It’s certainly no mystery that the behavior of politicians is often tied to when they’ll have to run for re-election...Two of the three...who voted for a 4.6 percent rate hike, Mike Gleason and chairman Jeff Hatch-Miller, will serve until January 2009. The third, Marc Spitzer, is done after this year...The fact that they won’t have to face voters for some time...means there is little incentive to make the politically popular decision to vote against a rate increase.”
- **Source - The Arizona Republic, March 8, 2006 - Reactor repairs may hike APS bills...Palo Verde facing shutdown in June** - “(APS) said Tuesday that it will shut down one of three reactors... (again) at the beginning of summer to fix a vibrating pipe that has sapped the plant’s electricity output since December...APS estimates it will cost \$60 million to buy fuel and power to replace the lost electricity...The bottom line for customers likely will be an attempt to raise electricity bills...reactors have been shut down 18 times since February 2004 because of worn equipment, design, maintenance and other problems. APS wants the Corporation Commission to allow it to increase electricity bills to recover \$44.6 million related to Palo Verde outages last year...For Unit 1’s current problems, APS estimates it will seek to recover \$50 million from ratepayers.”

- **Source - Tribune, October 13, 2005 - Safety concern triggers Palo Verde shutdown** - "The last time all three units of the plant were shut down was June 2004."
- **Source - The Arizona Republic, October 15, 2005 - Valley power outage unlikely** - "APS had no plans as of Friday to seek permission from state regulators to pass on any increased costs to ratepayers...the utility has a request pending...to pas on \$30.5 million in costs from unplanned outages at Palo Verde earlier this year...Utilities seeking to recover costs must show that they incurred extraordinary expenses, managed them prudently and that ratepayers, not just shareholders, should bear some of the expense..."
- **Source - The Arizona Republic, October 18, 2005 - Nuclear plant set to restart** - "McDonald, the APS spokesman, declines to say rates may increase because of the (current) problems at the nuclear plant."
- **Source - Tribune, October 18 or 19, 2005 - Palo Verde restarts two reactors shut for analysis** - "What didn't change Monday, however, is that APS officials are still unclear whether electricity prices will go up because of the shutdown...The last time it was completely shut down was June 2004 when the plant turned itself off automatically after a series of disturbances caused by bird droppings."
- **Source - The Arizona Republic, October 26, 2005 - Regulators to examine Palo Verde's safety - APS wants customers to pay \$40 mil because of outages** - "APS...wants to recover \$40 million from customers because of outages since April..."
- **Source - The Arizona Republic, October 28, 2005 - APS says it will ask Ariz. To raise limit on rates** - "In what's shaping up as a triple threat of electricity price hikes, (APS) signaled that higher bills could be on the way next year...but it comes on top of two other initiatives to raise customer's bills..."
- **Source - azcentral.com, Associated Press, November 4, 2005 - APS seeks 20% rate hike** - "(APS) is seeking a state approval for a 20 percent boost in its electricity rates. It said about 60 percent of the total request is due to the higher cost of fuel and purchased power (perhaps from the outages?)...its rate hike would boost that by about \$20 (per month)...The request is in addition to a close to 2 percent surcharge APS is seeking that would be in effect...due to higher prices for power."
- **Source - Tribune, November 4 or 5, 2005 - APS calls for 20% rate hike** - "ACC chairman Jeff Hatch- Miller..." "It is very difficult for me to accept an increase of this magnitude...Arizona needs relief." "Commissioner Kris Mayes called the APS request" "shocking...APS is far more concerned about Wall street than consumers right now." "Commissioner Bill Mundell called the APS proposal" "truly unbelievable"... (I can go on quoting each in your disbelief of this request - most of you have approved rate increases anyway...)
- **Source - The Arizona Republic, December 9, 2005 - Ariz. Utilities under scrutiny...Firms face pension deficits** - "Last month, APS sought a 20 percent increase in electricity rates to pay for everything from new power plants and lines to pension costs. About 2 percent of that would be funneled into the company's pension fund..." "There is a question as to whether they're entitled to a dime,"

- **Source - The Arizona Republic, March 10, 2006 - APS defends dividend hike -**
“Even as (APS) seeks to collect more than a half-billion dollars by raising electricity bills for customers, its parent company has rewarded investors by increasing dividends every year since 1993.”

Need I go on?

As of December 2004, APS had over 900,000 customers, which I am sure has increased at least by 20% now, and is asking to collect more than a half-billion dollars from us to pay for their incompetence, pensions, and their shareholder dividends?

The scheduled June shutdown goes back to APS and Pinnacle West failing to properly maintain their equipment and YOU allow the ratepayer to pay for their failure!

It appears only a small portion of their rate increase requests are due to the rising costs of fuel alone. APS is telling you it is fuel-related but in reality, it is maintenance problems, which is their fault, which is causing them to purchase more expensive fuel. Let me say that again...the rate increases appear to be due to APS' maintenance problems, which force them to purchase more expensive fuel than for the actual cost of rising fuel prices itself.

While I can certainly understand, though not happy with, the fuel-related cost request, since we all felt it at the pumps and within the market, I cannot understand how the ratepayer is responsible for APS and Pinnacle West failing to properly maintain their equipment!

Come on! In 1998 APS was fined \$55,000 for safety violations, fined again in April 2005 for a nuclear safety flaw, October 2005 a unit was shutdown (for the third time that year), went completely off-line in October 2005, and a shutdown expected in March and again in June of this year. Not to mention the transformer fire. All these problems were caused by failing to maintain their equipment properly.

We've had APS failing to meet Federal standards, no spare transformers in Arizona to replace the one that caught fire, the truck breaking down on the way here, leaky oil seals and rattling pipes. It seems to me that they need to find someone who can actually repair and maintain their equipment instead of constantly having the ratepayers pay for their incompetence. When will it end?

Now an article in the Arizona Republic *Reactor repairs may hike APS bills - Palo Verde facing shutdown in June* dated March 8, 2006 states “For Unit 1's current problems, APS estimates it will seek to recover \$50 million from ratepayers.” This current request is in addition to several other requests by APS including rising fuel costs (90%) and problems related to Palo Verde outages last year (\$44.6 million).

The article also states “The fact that APS plans the repair beginning in June, when electricity use dramatically increases, worries state regulators. They fear consumers will be stuck with the bill.”

I have an answer to that statement...the ratepayers will be stuck with the bill only if YOU approve it.

In the meantime, the top execs were receiving large bonuses (\$1 million for Jack Davis) and Pinnacle West has been increasing the dividend payouts to their shareholders.

Whoopee doodah that the Pinnacle West top members gave up their recent bonus - a whopping \$3 million. What about previous years when they continued to collect their bonus while their company's bond rating was dropping and Palo Verde was experiencing some major problems? Oh wait...APS ratepayers are also paying for that though APS denies it!

If I were to run a business the way APS and Pinnacle West run theirs, I would have no customers. But, YOU allow APS and Pinnacle West to literally take the shirt off the backs of their customers and we are left with little choice - other than selling our homes.

You might say that I could get some other company to provide the electricity - so I can have two bills, one from APS, in which I would still be paying for at least part of this, and one from some tiny company based in California. Would that solve the problem? No!

By the way, I did check into this and it can not be done at my house. Do any of you live in APS neighborhoods?

Short of completely cutting the power to my home, I have done what I can to reduce my usage. While I'm not poor enough to qualify for the SHARE program, I am on a budget and you are making it more difficult for me to take care of my obligations. I'm not talking about fancy cars, dinners out, or other luxury items, I'm speaking of a roof over my family's head, food on the table and Wal-Mart clearance rack clothes on our back. Please tell me what is luxurious about that?

Please don't bother calling me (or having Richard Martinez call) with some sort of 'beat around the bush and promise to take my opinion into consideration bullshit' as I don't want to hear it and I certainly don't believe it. The only thing I will hear is the Corporation Commission denying all current and future APS rate increase requests that are based on anything other than **MARKET-BASED** rising fuel costs. If APS has to purchase more fuel, based on their track record of maintenance incompetence, then any corresponding rate increase request should be denied.

Should you like to see copies of my sources as listed above, please let me know and I'll be happy to make copies for you, at cost - to be paid for in advance, of course. Otherwise, I suggest calling the papers yourself to verify my accuracy.

With all due respect,

Tina M. Fairbanks

Tina M. Fairbanks
APS Ratepayer

CC: William Mundell - Commissioner
Kris Mayes - Commissioner
Marc Spitzer - Commissioner
Mike Gleason - Commissioner
Stephen Ahearn, Director, Residential Utility Consumer Office