



0000079688

**COMMISSIONERS**  
 MIKE GLEASON - Chairman  
 WILLIAM A. MUNDELL  
 JEFF HATCH-MILLER  
 KRISTIN K. MAYES  
 GARY PIERCE



## ARIZONA CORPORATION COMMISSION

RECEIVED

Direct Line: 602-542-3933

Fax: 602-542-5560

E-Mail: gpierce@azcc.gov

2007 DEC 10 A 9:55

December 10, 2007

AZ CORP COMMISSION  
DOCKET CONTROL

**Re: Arizona Public Service Company Line Extension Tariff Schedule 3; Docket Nos.  
 E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827**

Dear Parties to the Docket:

As you know, Arizona Public Service (APS) recently submitted a proposal to treat Schedule 3 proceeds as revenues rather than Contributions In Aid of Construction (CIAC). I appreciate APS for raising this issue, and I believe the Commission should treat Schedule 3 proceeds in whatever way maximizes their value to ratepayers. If APS's filing in this matter is accurate, treating Schedule 3 proceeds as CIAC only results in a twelve cent reduction to ratebase for every dollar brought in. On the other hand, APS's proposal unfortunately appears to allow APS to earn a return on customer-financed infrastructure.

I concur with Commissioner Mayes's request for additional analysis of APS's proposal, and I write today to ask that the Parties also consider whether alternative options are available. One option I propose to be considered, is whether the Commission should treat Schedule 3 proceeds as revenues but attribute a zero (or a near zero) cost-of-capital number to those revenues, thereby avoiding double-payment for customer-financed infrastructure.

I look forward to reviewing your analysis.

Sincerely,

Gary Pierce  
 Commissioner

cc:

Chairman Gleason  
 Commissioner Mundell  
 Commissioner Hatch-Miller  
 Commissioner Mayes  
 Dean Miller  
 Ernest Johnson  
 Christopher Kempley  
 Lyn Farmer

Arizona Corporation Commission  
**DOCKETED**

DEC 10 2007

|             |    |
|-------------|----|
| DOCKETED BY | nr |
|-------------|----|