

OPEN MEETING AGENDA ITEM



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**ARIZONA CORPORATION COMMISSION**

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December 10, 2007

AZ CORP COMMISSION  
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**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  
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