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AZ CORP COMMISSION
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Arizona Corporation Commission
Utilities Division
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Arizona Corporation Commission
DOCKETED
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MM

Re: Docket # E-01345A-08-0172
APS Proposed System Facilities Charge within its Line Extension Policy,
Schedule 3

Dear Corporation Commission,

I am writing to comment upon, and strongly oppose the upcoming APS request for approval of a "System Facilities Charge." I have already filed a complaint specific to our situation with the Corporation Commission in regard to the amount I was charged for a service line extension, but it is my understanding that APS wishes to gain explicit permission from the Commission for a System Facilities Charge, (a fee which it is already charging and collecting).

I am not a lawyer, nor am I familiar with the terminology used in Corporation Commission proceedings or monopoly rate requests. I apologize if my terminology or wording is unclear or inexact. I would be happy to explain any ambiguity that may appear in this letter.

Background:

My Prescott Obstetrics & Gynecology group is constructing a medical office building adjacent to the new hospital in Prescott Valley.

Per APS, the Corporation Commission granted a fee request effective late February 2008 that they claim allows them to charge what amounts to a hook-up fee. For our 16,000 square foot building, that charge was \$23,617 which did not include an additional charge of \$22,457 for material. The total charge was a staggering \$46,074!

In other words, before we purchase even a single spark of electricity from APS, we have to pay them \$46,074 up front. For obvious reasons, this hook-up fee, both in principle and dollar amount, has stuck in our craw.

My group filed a complaint with the Corporation Commission. It is my understanding from the resulting investigation that the largest single component of the charges, the \$23,617 system facilities fee, was not actually approved in the last rate request. There is, apparently, some ambiguity. APS has now requested formal and explicit approval of this charge in their current rate case request. We are writing to oppose that request and to explain that opposition.

These fees, in principle, are akin to a gas station requiring customers to buy the gas pump before they are then granted the privilege of buying gasoline at a profit to the gas station.

It is particularly infuriating to us if APS is, in fact, charging such a large fee for which they were never granted permission to levy.

Our Assertions:

- 1. The implied and legal contract between a monopoly corporation and the citizens it serves is essentially thus: Monopoly power is granted provided such power is not abused.**

We feel that a \$23,617 fee to simply hook up to the electrical grid is abuse of monopoly power. We have no alternative power company to turn to for a better deal. And we can't operate a medical office without electricity. Frankly, we feel like this is a shakedown -- nothing more than a hold-up by a company with monopoly status and the power that status confers.

This charge -- the dollar amount -- regardless of the company rationale or justification, is outrageous, all other issues aside.

One can argue that the principle of nominal hook-up fee for future services may be justified or not, but the dollar amount APS is attempting to charge for this small building is simply exorbitant and renders such an argument irrelevant.

- 2. We feel strongly that, in principle and practice, such large hook-up fees are bad policy and negatively affect everyone involved -- the State of Arizona, its citizens, and its businesses.**

The statement speaks for itself. Barriers to business survival and success are already too high.

This has, however, broad implications for the competitiveness and attractiveness of Arizona in growing new businesses from within the state, and especially in recruiting new employers from out of state. Given that electricity is essential to any building or business, this "private tax" can certainly take the shine off Arizona's attractiveness as a relocation site. Such changes affect our economy and quality of life for decades.

This hook-up fee not only applies to businesses. Our building contractor has a client building a home who was charged approximately \$10,000 simply to connect to APS. He found, like us, that he was unable to dispute this fee without essentially halting construction – a financially unacceptable alternative in most circumstances– so he caved in and just paid the fee. The dollar amounts are larger for businesses, but private citizens will also feel this sting.

3. Approval and acceptance of the principle of high hook-up fees offer a dangerous precedent for any other service provider, monopoly or not.

Currently in Arizona, the public is not subject to such huge connection fees for any of our other services – gas, water, telephone, cable television, sewer and the like. The prospect of other services attempting to gouge the public with such fees increases once the door is opened for one.

This would be unfortunate policy for the state to set, offering a disservice to its citizens and businesses.

4. APS' justification for the high connection fees, as stated in one of their information forms, is that "growth should pay for growth."

That is just plain incorrect. Every business has infrastructure and growth costs. These are borne and passed on through the products they sell. It is factored into the cost of everything we purchase. APS makes a profit on every watt of electricity it sells. That profit should support the growth of their business, which in turn increases the volume of sales and resultant revenues. Electricity sales should be sufficient to run the company. No business should operate at a loss through sales but survive through excessive ancillary fees. APS should not be allowed to do so.

If APS claims that without charging such unacceptably high up-front fees for new hook-ups they can't make a profit, then their distorted rate structure should be addressed. Attempting to remedy a problem with a perverse solution complicates the situation further for everyone and makes it all the more difficult to correct going forward.

Please consider these points and sentiment when addressing the APS request for this systems facilities charge. If you have any questions or need further information, please give me a call or send an email.

Thank you very much for your time and consideration of this issue.

Sincerely,

Rick Ohanesian