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To Whom It May Concern:

For more than 15 years I have tracked the housing market in metro-Tucson and forecasted activity levels based on the patterns and trends in the marketplace. While there is a broad range of factors in my analysis, one cannot ignore the impact of new government regulations. The following is my brief analysis of how new ACC regulations related to the line extension policies for electric utilities will affect the housing industry in Pima County.

This policy change is a basic transfer of financial responsibility for power line extensions from a broad based population segment to a small group who are customers of a specific industry. It takes the costs of line extensions from the current ratepayers of Tucson Electric Power and Trico Electric Coop, approximately 434,000 ratepayers, (394,000 TEP and 40,000 Trico) to new construction homebuyers of Pima County, approximately 2,000 homebuyers in 2009.

The shift of this responsibility is financially crippling to the new home construction industry and to new homebuyers. In two examples of the costs, prepared by two builder/developers working on future projects, the cost per lot was \$10,000 on one project and \$39,000 on the second for an average of \$24,500 per lot. This amount, plus administrative costs, will be added to the price of each home.

The cost per home amount is significant enough to cause a substantial decrease in the number of people who could qualify for a new construction home. According to the National Association of Homebuilders, in Tucson, for every \$1,000 increase in new construction home prices, 717 people are taken out of the market. This is based upon the ability of current homeowners to make house payments if their current residence was to increase in value. If this is multiplied by 10 for the \$10,000 increase, it is easy to see the devastating effect on the new home construction industry of Pima County and all of Arizona.

The economic impact of new home construction would also be significantly lessened. New construction adds significantly to local economies through labor, materials, fees, administration and investment. Virtually the entire price of a new construction home is a direct economic contribution to the economy. A new construction home of \$200,000 adds \$200,000 to the local economy. In 2006, the new construction industry contributed more than \$2.4 billion to the economy of Pima County.

Arizona Corporation Commission

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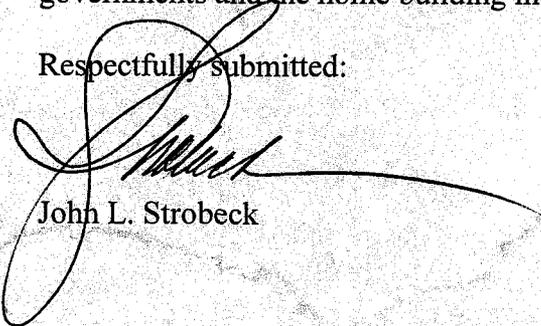
Local government entities look to new home construction to support the financial health of their operations through increased property taxes and fees. Each new construction home adds a minimum of \$2,500 per year to the tax roles for a period of the life of the home, averaging around 50 years, for a financial contribution of \$125,000 in just property taxes, not counting impact fees, permit fees, sales taxes, and other revenues.

Based solely on the economic impact in Pima County, the shift of the responsibility to homebuyers for line extensions from the broad based ratepayer would create a major economic hardship on the homebuilding industry as well as a major impact to the government entities of Pima County. At minimum, should this continue to go forward, there should be at least a decade long phase in to lessen the impact of \$24,500 or more to the cost of each new construction home.

I also note that on my July 2009 electric bill from Tucson Electric Power, I was charged over \$250 for delivery services for power. It would appear to me that, should the line extension change be put into effect on the new home buyer, all other rate payers would have a case, along with those new home buyers who had to pay the higher cost for the line extensions, to have all delivery charges eliminated from their bill as it would appear that they are being charged twice for the same services. It would be necessary for the power companies to delineate the delivery services to the satisfaction of the ratepayer or be open to a class action lawsuit.

In my opinion, the proposed change for the cost of line extensions to be borne by the new construction homebuyer is ill conceived and fraught with economic disaster. At minimum, this change needs further detailed study and, if the change has to be made, a detailed phase-in plan over a significant amount of time is necessary to lessen the economic hits to local governments and the home building industry.

Respectfully submitted:



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