

ORIGINAL

Passed _____ Passed as amended by _____

THIS AMENDMENT:



0000105796

RECEIVED

Filed _____ Not Offered _____ Withdrawn

2009 DEC -4 P 3: 08

AZ CORP COMMISSION
DOCKET CONTROL

PIERCE PROPOSED AMENDMENT # 1

DATE PREPARED: December 4, 2009

Arizona Corporation Commission

DOCKETED

DEC - 4 2009

COMPANY: Arizona Public Service Company

DOCKET NOS: E-01345A-08-0172

DOCKETED BY

OPEN MEETING DATES: December 7-9, 2009

AGENDA ITEM: U-2

Page 39, Line 19

DELETE sentence beginning "We have subsequently applied" and ending on Page 41, Line 8 after "APS' compliance."

INSERT the following after "not subsidizing the growth":

"What the Commission failed to recognize and account for in Decision No. 69663, however, was the fact that the cost of line extensions for the past thirty years are now imbedded in the rates that APS charges all of its customers—including its new customers. While a compelling argument can be made that it is unfair to charge existing customers the cost of line extensions that benefit new customers, it is equally unfair to charge new customers the cost of historical line extensions that benefit existing customers. During the course of the hearing in this matter, APS was asked to provide to the Commission the total amount of its rate base that is attributable to line extensions over the past thirty years.^{fn1} APS was only able to go back seventeen years (to 1990) and isolate the portion of its Original Cost Rate Base attributable to its 1000-free-foot line extension policy. According to Mr. Rumolo, APS' Original Cost Rate Base would have been reduced from \$5.582 billion to \$4.873 billion, or slightly more than \$700 million, had the no-free-line-extension policy been in place in 1990.^{fn2} To be true to the principles of cost-causation that convinced the Commission to change APS's line extension policy in Decision No. 69663, the Commission would need to excuse new customers from paying rates on the more than \$700 million in rate base that is attributable to free line extensions over the past thirty years."

^{fn1} Because line extensions are fully depreciated over thirty years, line extensions older than thirty years would no longer be reflected in APS' rate base.

^{fn2} Tr at 2110-11.

“Unfortunately, we cannot fully isolate the cost of line extensions during the past thirty years, as demonstrated by APS’s inability to provide information beyond 1990. Under these circumstances we believe it is appropriate to reinstate APS’s former policy of 1000 free feet of line extension, pending resolution of the Commission’s line extension policy during a generic docket.”

Page 41, Lines 22-27

DELETE sentence beginning “Given that we . . .” through page 41, line 27.

Page 53, Line 27

INSERT after “approved”:

“except that we believe it is appropriate to reinstate APS’s former policy of 1000 free feet of line extension, pending resolution of the Commission’s line extension policy during a generic docket.”

Page 54, Line 13 and 14

DELETE

“the Revised Schedule 3 consistent with Exhibit B attached hereto and with the findings herein.”

REPLACE with

“a new Schedule 3 that reinstates the 1,000 foot free footage for line extensions consistent with Arizona Public Service Company’s line extension requirements, as they existed prior to Decision No. 69663.”

Conforming changes.