

ORIGINAL
John LeSueur



E-000001-10-0044

From: John LeSueur
Sent: Friday, February 05, 2010 4:15 PM
To: Steven Olea; 'Rheyman@uns.com'; 'Stacy.Aguayo@aps.com'; 'thomas.mumaw@pinnaclewest.com'; 'Jeff.Guldner@aps.com'; 'jwallace@gcseca.coop'; 'jwallace@gcseca.org'; 'Barr Kelly J'; 'meghaen@mindspring.com'; 'kampss@hbaca.org'; 'David Godlewski'; 'MIKE WYLLIE'; 'bwylliepecora@yahoo.com'; 'Tom Farley (tomfarley@cox.net)'; 'DPOZEFSKY@AZRUCO.GOV'; 'Jodi Jerich (JJerich@azruco.gov)'; 'gyaquinto@auiia.org'; 'wrockett@fclaw.com'; Janice Alward; 'gyaquinto@aic.org'; 'mmg@gknet.com'
Subject: ACC Line Extension Workshops

Hi Everyone,

As you may know the Commission is preparing to hold workshops on line extension policies for electric utilities. Commissioner Pierce has accepted the assignment to put together a list of questions and issues that need to be answered and addressed in connection with these workshops ("NOI questions"). A generic docket was opened today with the following title:

In the matter of the Commission's inquiry and potential rulemaking regarding line extension policies of electric utilities, including but not limited to, alternative rate designs related to apportionment and rate recovery of costs of construction and installation of electric utility line extensions, the use of free footage and/or dollar allowances in line extension tariffs, the treatment of proceeds associated with line extensions as contributions in aid of construction (CIAC) and/or revenue, and the ability for third-party vendors to contract to install line extensions for electric utilities.

The purpose of this email is to invite you to submit the top five or ten questions you believe need to be asked and answered in this matter. We want to docket the NOI questions by the end of next week, so if there are questions and issues that you want to be included please submit them to me by replying to this email by Wednesday of next week.

We will include a "catch-all question" to allow parties to raise issues that were not addressed in the NOI questions, but I wanted to give everyone an opportunity at the outset to identify the issues they believe need to be discussed. Feel free to forward this email to others you think may be interested.

Thank you,

John LeSueur

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Arizona Corporation Commission
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FEB 22 2010



Tracking:

John LeSueur

From: John LeSueur
Sent: Wednesday, February 10, 2010 12:59 PM
To: 'jimoyes@lawms.com'; 'kenally@lawms.com'; 'jjw@krsaline.com'; 'thogan@aclpi.org'; 'gyaquinto@arizonaic.org'; 'pblack@fclaw.com'; 'khiggins@energystrat.com'; 'Scanty0856@aol.com'; 'nick@lubinandenoch.com'; 'dfantlaw@earthlink.net'; 'asormond@msn.com'; 'mkurtz@bkllawfirm.com'; 'kboehm@bkllawfirm.com'; 'tubaclawyer@aol.com'; 'Mcurtis401@aol.com'; 'wsullivan@cgsuslaw.com'; 'ludall@cgsuslaw.com'; 'azbluhill@aol.com'; 'schlegelj@aol.com'; 'cswick@azcaa.org'; 'Steve.morrison@sca.com'; 'peter.nyce@us.army.mil'; 'dneid@cox.net'; 'wcrockett@fclaw.com'; 'nicholas.enoch@azbar.org'; 'gpatterson3@cox.net'; 'lawyers@bisbeelaw.com'; 'tubaclawyer@aol.com'; 'mpatten@rdp-law.com'; 'mippolito@rdp-law.com'; 'pblack@fclaw.com'; 'mkurtz@BKLawfirm.com'; 'kboehm@BKLawfirm.com'; 'rmetli@swlaw.com'; 'greg@azcpa.org'
Subject: FW: ACC Line Extension Workshops

Hi Everyone,

I was asked yesterday to forward the following email to all parties of TEP's and APS' latest rate cases. Commissioner Pierce would like to present a draft of potential NOI questions to the other Commissioners for their review and comment during the first part of next week. If you want to send me a list of issues and questions to include in the NOI questions, please do so by the end of the week. Once the NOI questions are finalized and issued by the entire Commission, all interested parties may comment and participate in the workshops as they wish.

If you have any questions, please call.

Best Regards,

John LeSueur
(602) 542-4145

From: John LeSueur
Sent: Friday, February 05, 2010 4:15 PM
To: Steven Olea; 'Rheyman@uns.com'; 'Stacy.Aguayo@aps.com'; 'thomas.mumaw@pinnaclewest.com'; 'Jeff.Guldner@aps.com'; 'jwallace@gcseca.coop'; 'jwallace@gcseca.org'; 'Barr Kelly J'; 'meghaen@mindspring.com'; 'kampss@hbaca.org'; 'David Godlewski'; 'MIKE WYLLIE'; 'bwylliepecora@yahoo.com'; 'Tom Farley (tomfarley@cox.net)'; 'DPOZEFSKY@AZRUCO.GOV'; 'Jodi Jerich (JJerich@azruco.gov)'; 'gyaquinto@auiia.org'; 'wcrockett@fclaw.com'; Janice Alward; 'gyaquinto@aic.org'; 'mmg@gknet.com'
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tariffs, the treatment of proceeds associated with line extensions as contributions in aid of construction (CIAC) and/or revenue, and the ability for third-party vendors to contract to install line extensions for electric utilities.

The purpose of this email is to invite you to submit the top five or ten questions you believe need to be asked and answered in this matter. We want to docket the NOI questions by the end of next week, so if there are questions and issues that you want to be included please submit them to me by replying to this email by Wednesday of next week.

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Thank you,

John LeSueur

John LeSueur

From: Rheyman@uns.com
Sent: Tuesday, February 09, 2010 1:03 PM
To: John LeSueur
Cc: PDion@tep.com
Subject: Line Extension Workshop Questions (February 9, 2010)

John:

Here are a few questions that come to mind related to line extension policies. I hope this helps in framing workshop issues. Please let me know if we can be of further help.

Ray

1. Should a free-footage or dollar allowance vary depending on type of customer? In other words, should free footage or dollar allowance vary within a utility's line extension policy among:
 - An individual owner or a small group of owners of land who will not subdivide their respective properties and are seeking service exclusively for a future residence and not for a development.
 - Larger developments, residential subdivisions, or master-planned communities.
 - Commercial and/or industrial establishments.
2. Should the Commission reexamine its current line extension rules for electric and gas utilities (e.g. A.A.C. R14-2-207.C) in a rulemaking – or should it continue to address the Commission's current rules on the matter on a case by case basis?
3. Should the accounting treatment for any funds collected by applicants for line extensions be treated as revenues, as contributions-in-aid-of-construction, or determined on a case-by-case basis?
4. If the Commission (in the future) reinstates a free footage allowance for those utilities that do not have any such allowance, should the Commission make such a policy retroactive to those applicants who have:
 - been provided a written estimate of costs for extending service; and
 - where no construction has commenced (including trenching, backfilling or conduit)

If one is opposed to such retroactive application, is that opposition based in law, policy or both? Please explain.
5. Within a utility's line extension policy, should it differentiate between those line extensions that are new (*i.e.*, extensions to new customers where there was no service previously rendered) versus those that are replacing older facilities for new customers – in terms of whether a free-footage or dollar allowance should be provided.

John LeSueur

From: John Wallace [jwallace@gcseca.coop]
Sent: Wednesday, February 10, 2010 3:25 PM
To: John LeSueur
Subject: FW: Commissioner Pierce's Request For Line Extension Questions

John;

Per your request, I have included some questions below on line extensions. I have received some of the questions from different cooperatives. If I receive additional questions from other cooperatives, I will forward them to you. Some consolidation of these questions could take place. Please email or call me at the cell phone listed below if you have any questions. Thank you for asking for the Cooperatives' input on this matter.

John Wallace
Director of Regulatory & Strategic Services
Grand Canyon State Electric Cooperative Association
120 N. 44th Street, Suite 100
Phoenix, AZ 85034
Office: 602-286-6925
Cell: 602-679-5529
Fax: 602-286-6932
www.gcseca.coop

- 1) If the ACC mandated a reversal that brought about a free-distance/credit policy once again, what process should be considered to adjust the rates in order to maintain a sufficient rate of return?
- 2) If the ACC mandated a reversal that brought about a free-distance/credit policy once again, how would existing customers be compensated who had previously been affected by 'no free allowance' ruling?
- 3) What would be the most equitable process for handling transformer and other special equipment charges in conjunction with a free-distance/credit policy?
- 4) Should a line extension policy be limited to primary lines or also consider service lines?
- 5) Under a free-distance/credit policy, how would your economic feasibility considerations be addressed?
- 6) What do you think are the main considerations with regard to a mandated and standardized line extension policy across the State, irrespective of a large variation in economic conditions and interests?
- 7) What is your utility's current line extension policy?
- 8) Please estimate the amount that will be charged to new customers versus existing customers for line extensions in 2010 (and beyond if available)?
- 9) If your utility currently has a line extension policy with no free footage or dollar allowance, what is the dollar impact and percentage increase required to reverse this policy and implement your utility's previous line extension policy that included free footage or certain dollar allowance for new line extensions?
- 10) If your utility was ordered by the Commission to provide either free footage or a certain dollar allowance to be paid for new line extensions, please detail your utility's proposed policy?
- 11) What are the customer equity issues associated with free footage and certain dollar amounts paid toward new line extensions versus no free footage or dollar allowance?
- 12) Please provide customers' responses/feed back to your current line extension policy?
- 13) Please estimate the impact on your service area's economy and new construction from your utility's line extension policy?

- 14) If the Commission requires all utility's to offer free footage or a dollar allowance for new line extensions, how will utility's that have line extension policies without free footage or a dollar allowance recover these line extension costs from existing customers without filing a rate case?
- 15) Please provide other issues/concerns that the Commission must address with regard to utility line extension policies.
- 16) Inasmuch as the Cooperative public service corporations are owned by their respective members and are non profit, should such Cooperatives be exempt from any Commission rules requiring them to grant free footage for line extensions?
 - 17) Should any Commission rules granting free footage apply to three phase and/or backbone lines?
 - 18) Should existing consumers of such Cooperatives subsidize the consumers or new consumers obtaining line extensions with free footage?
 - 19) How should the Commission determine if existing consumers of such Cooperatives subsidize the consumers or new consumers obtaining line extensions with free footage?
 - 20) Should the Commission make provisions that will protect such Cooperatives should the lines of those obtaining line extensions with free footage become idle?
 - 21) If such Cooperatives should be protected in the event the lines of those obtaining line extensions with free footage become idle, how should the Commission protect such Cooperatives?

From: John LeSueur [mailto:JLeSueur@azcc.gov]

Sent: Friday, February 05, 2010 4:15 PM

To: Steven Olea; Rheyman@uns.com; Stacy.Aguayo@aps.com; thomas.mumaw@pinnaclewest.com; Jeff.Guldner@aps.com; John Wallace; John Wallace; Barr Kelly J; meghaen@mindspring.com; kampss@hbaca.org; David Godlewski; MIKE WYLLIE; bwylliepecora@yahoo.com; tomfarley@cox.net; DPOZEFSKY@AZRUCO.GOV; JJerich@azruco.gov; gyaquinto@auia.org; wcrockett@fclaw.com; Janice Alward; gyaquinto@aic.org; mmg@gknet.com

Subject: ACC Line Extension Workshops

Hi Everyone,

As you may know the Commission is preparing to hold workshops on line extension policies for electric utilities. Commissioner Pierce has accepted the assignment to put together a list of questions and issues that need to be answered and addressed in connection with these workshops ("NOI questions"). A generic docket was opened today with the following title:

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The purpose of this email is to invite you to submit the top five or ten questions you believe need to be asked and answered in this matter. We want to docket the NOI questions by the end of next week, so if there are

questions and issues that you want to be included please submit them to me by replying to this email by Wednesday of next week.

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Thank you,

John LeSueur

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**Southern Arizona
Home Builders
Association**
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Tucson, Arizona 85716
Phone: (520) 795-5114
Fax: (520) 326-8665
Web: www.sahba.org

President
Jessica D. Whyde

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Fred Russell
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Legal Counsel
John E. Kofron
Fennemore Craig

Affiliated With



February 12, 2010

Via Email

Mr. John LeSueur
Arizona Corporation Commission
1200 W. Washington, 2nd Floor
Phoenix, AZ 85007
jlesueur@azcc.gov

RE: Line Extension Workshops and Generic Docket

In the matter of the Commission's inquiry and potential rulemaking regarding line extension policies of electric utilities, including but not limited to, alternative rate designs related to apportionment and rate recovery of costs of construction and installation of electric utility line extensions, the use of free footage and/or dollar allowances in line extension tariffs, the treatment of proceeds associated with line extensions as contributions in aid of construction (CLAC) and/or revenue, and the ability for third-party vendors to contract to install line extensions for electric utilities.

Dear Mr. LeSueur:

In response to your email of February 5, 2010, inviting the submission of proposed questions and issues in the generic docket #, I submit the following information and questions for the Commissions consideration on behalf of the Southern Arizona Home Builders Association:

Recent changes to the line extension policies for electric utilities and co-operatives go well beyond the elimination of free footage allowances. APS' previous line extension policies were primarily based on generous free footage allowances, but other electric utilities' policies included smaller allowances and a system of refundable cash deposits that allowed all parties to share costs, benefits, and risks associated with line extensions. In the process of standardizing line extension policies to eliminate free footage allowances and match what was done in APS' consolidated docket *E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827*, the Commission also eliminated the system of refundable cash deposits that both TEP and TRICO used effectively for years.

It is clear from APS' consolidated docket *E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827* and more recently *E-01345A-08-0172* that the utility's poor financial health, falling credit ratings, and resulting increases to borrowing costs were critical factors in the decision to eliminate free footage allowances. However, several questions arise: 1) Should a policy shift designed to address specific, dire financial conditions of one utility impact line extension policies of other utilities that do not face similar financial problems? 2) Given stable financial health (of utility) and normal growth rates in the service territory, does a system of refundable cash deposits and no free footage allowances equitably share costs/risks among all beneficiaries—does growth pay its fair share? 3) Has the Commission given the proper attention to this issue in all rate cases given specific conditions of each utility and specific facts of each case? 4) In each rate case where line extension policies have been modified to conform to APS' consolidated docket *E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827*, has the Commission properly notified and solicited comment from those parties most impacted by changes to the line extension policies?

Line extension policies that include free footage allowances require some level of subsidy from existing ratepayers. As ACC Staff stated in *E-01345A-08-0172*, whether or not a subsidy is warranted because of certain public benefits associated with growth is a legitimate policy question that should be considered in the workshops. However,

irrespective of discussions about free footage, the workshops must evaluate the merits of a middle ground position centered on the following concepts:

- System of refundable deposits that also includes use of bonds/letters of credit similar to policies previously used in TEP and TRICO service area. Refunded infrastructure can then be added to rate base to ensure customers contribute toward recovery of cost to serve over life of the service assets—avoids dilution of rate base.
- Match the applicant's timing of payment to time of construction. Line extension policies now require the applicant to provide a non-refundable, full-cash payment at the time the line extension agreement is executed. Actual construction may not occur for 12-18 months from the date agreement is executed.
- Costs of construction should be based on actual estimates of materials and labor at the time agreement is executed. Use of test case year to determine a schedule of charges could lead to significant over or under charging given fluctuations in prices (i.e. price of copper). In the event applicant's agreement includes estimate that is higher than actual costs at time of construction, the applicant should be refunded the difference.
- Explore ways to reduce or eliminate costs associated with gross-up tax through accounting treatment of funds, use of instruments such as bonds/letters of credit, and raising cost thresholds of individual line extension agreements that gross-up fees are collected on.

The belief that near-term regulatory relief will stimulate economic growth and job creation has prompted elected bodies throughout the state to rethink previous policy decisions and/or implementation timetables. Development community stakeholders assert that additional non-refundable costs associated with line extension policies would be difficult to absorb/pass-through in good times, but impossible given current economic conditions and financing environment. Arizonans' and Arizona's near-term economic/fiscal health is inextricably linked to stimulation of development and homebuilding industries. Given the importance of these industries, it is appropriate for the Commission to hold workshops designed to evaluate opportunities for near-term relief immediately, and urgently implement workshop proposals.

Questions:

- 1) Who or what prompted and the changes to the line extension policies which go beyond the elimination of free footage allowances? How are the specific changes validated/supported for each utility/co-op (i.e. why are they necessary)?
- 2) What prompted the change of categorizing line extension revenue from "Advance In Aid of Construction" to "Contribution of Aid in Construction"? Why is it necessary? If the policy was changed back to an "Advance" what would be the impact on the financial condition of utility/co-op and rates?
- 3) What was the specific dollar amount of revenue the line extension policy changes were estimated to bring to the utilities/co-ops on an annual basis and who were those amounts calculated?
- 4) Is there a direct formulaic correlation between the changes to the line extension policies and the rates for the utilities/co-ops? In other words, can changes to the line extension policies be "undone" without resulting in rate increases? If so, what are they?
- 5) What are the actual costs of construction and materials today compared to the utility/co-op test years? How are construction cost adjustments filed? If the utility/co-op is required to file an adjustment, what happens if they do not?
- 6) If the actual costs associated with construction are less than the amount paid in advance by the developer, are those overages refunded?
- 7) Can the utility/co-op allow developers to solicit competitive bids from utility-approved third party contractors to install the subdivision distribution improvements?

- 8) Can the utility/co-op create a separate line extension policy for "extraordinary" customers, waiving costs or reinstating certain aspects of the 2000 tariff subject to developer commitments such as all electric subdivisions, TEP Guarantee Home program, active and/or passive solar applications, or other developer commitments that support the utilities corporate goals?
- 9) What flexibility does a utility/co-op have in interpreting and implementing the line extension policies?
- 10) What policy changes can be made administratively by the ACC? Which require a generic docket? Which are required to occur during a rate case?
- 11) What is the rationale/documentation that supports the "Gross Up Amount"? How was that amount set? Can it be adjusted?
- 12) Based on the residential growth that occurred 2008 and 2009 and is forecasted for 2010, do the utilities/co-ops still anticipate the financial strain for accommodating new growth that they did at the time when the policy changes were requested or occurred?

Sincerely,



David Godlewski
Government Liaison, SAHBA
P: 520-795-5114

John LeSueur

From: Scot Mussi [mussis@hbaca.org]
Sent: Monday, February 15, 2010 10:07 AM
To: John LeSueur
Cc: Spencer Kamps
Subject: Line extension questions
Attachments: image003.jpg

Hey John,

I thought I would forward you some questions anyways so you have some of our input:

- What was the payback/refund policy for residential subdivisions and developments in APS territory prior to the 2007 settlement agreement?
- What has been the impact on economic growth since the policy change in 2007?
- Why was the revised schedule 3 submitted and recommended by APS on July 27, 2007 (which allowed for credits for permanently connected customers) rejected by the commission?
- What has been the impact on land values since the adoption of the new policy?
- Why isn't an economic model used to determine the benefits of new customers versus the costs associated with providing line extensions and utility infrastructure?
- How much is new growth subsidizing existing growth through the new policy?

Hope this helps,

Scot Mussi
Deputy Director of Legislative Affairs
Home Builders Association of Central Arizona
16430 N Scottsdale Rd Suite 150
Scottsdale, AZ 85254
Office (602) 274-6545
Mobile (480) 221-3292



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Staff Suggested Questions for Commission NOI Concerning
Line Extension Charges for Electric Utilities

1. Should the Commission establish a uniform policy regarding line extension charges for all electric utilities, i.e., the same dollar amount, free footage, no free footage for all electric utilities? (*Line extension charges are generally defined as the charges the utility is allowed to assess an applicant for the construction of the lines and equipment necessary to extend the utility's service to the location where the applicant requests service.*)
2. Describe all of the factors you believe the Commission should consider when establishing a line extension charge policy for electric utilities?
3. Should the established policy include a maximum footage or equipment allowance to be provided by the electric utility at no charge? If yes, explain how the allowance should be determined, based on free footage, a set dollar amount or some other method (*explain*). Should the allowance be differentiated by customer class, service area characteristics, etc.?
4. Describe the line extension charge policy you believe would provide the best balance between the interests of existing and future customers.
5. Should third-party contractor/vendors be allowed to install line for electric extensions?
6. Explain how any applicable line extension charges should be calculated. Should the initial applicant be required to pay the total cost with a refunding mechanism if subsequent applicants use any common facility paid for by the original applicant or, should the

initial customer only be required to pay for the common plant constructed on a pro rata basis?

7. Should the availability of, and basis for, an allowance vary by customer class?
8. Should proceeds associated with electric line extensions be treated as contributions in aid of construction, advances in aid of construction, or revenue? Should this be decided on a case-by-case basis?
9. Should the Commission establish the same type line extension policy for all type utilities (i.e., water, gas, telecommunications, sewer) that results from this inquiry for electric utilities?

LUBIN & ENOCH, P.C.

PHOENIX | DENVER | EL PASO

Stanley Lubin
Nicholas J. Enoch

Jarrett J. Haskovec
David G. McCracken of Counsel*
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February 12, 2010

Via Email

Mr. John LeSueur
Arizona Corporation Commission
1200 W. Washington – 2nd Floor
Phoenix, Arizona 85007
JLeSueur@azcc.gov

**Re: IBEW Arizona State Association (ACC Line Extension Workshops)
(Our File No.1692-006)**

In the matter of the Commission's inquiry and potential rulemaking regarding line extension policies of electric utilities, including but not limited to, alternative rate designs related to apportionment and rate recovery of costs of construction and installation of electric utility line extensions, the use of free footage and/or dollar allowances in line extension tariffs, the treatment of proceeds associated with line extensions as contributions in aid of construction (CIAC) and/or revenue, and the ability for third-party vendors to contract to install line extensions for electric utilities.

Dear Mr. LeSueur:

In response to your email of February 10, 2010, inviting the submission of proposed questions and issues in the above generic docket, I submit the following NOI questions for the Commission's consideration on the behalf of the IBEW Arizona State Association:

1. Currently, in addition to constructing line extensions and performing other construction and maintenance tasks, crews of tradespeople from the electric utilities also serve other important functions, including restoring power after storms and otherwise responding to emergencies throughout Arizona, most notably in rural areas. Given this, what assurances do we have that any significant diversion of work from such crews that may result from a third-party contractor option for line extensions would not have the consequence of threatening or limiting the utilities' ability to restore power after storms and to otherwise respond to emergencies?
2. Presently, the utility crews that construct most line extensions are comprised of skilled, knowledgeable, and experienced tradespeople, including journeyman linemen, who have served

Mr. John LeSueur
February 12, 2010
Page 2

at least a four-year apprenticeship consisting of at least 8,000 hours of on-the-job training. These crews are trained to ensure that their work conforms to all government- and utility-imposed standards and is conducted in accordance with utility work and safety rules, and they have a proven track record of safe and reliable performance on line extension work. What evidence is there that any gains resulting from a third-party contractor option would not be more than offset by safety and reliability issues that may arise and that any such option would generally promote “the convenience, comfort, and safety, and the preservation of the health, of the employees and patrons of [public service corporations]”?

3. Under any third-party contractor option for line extensions, how would the liability and insurance landscape change? Who would bear responsibility for accidents, injuries, and fatalities among patrons and workers resulting from any installing contractor’s (substandard) work?

4. For other jurisdictions that have permitted third-party contractors to construct line extensions, what have been the attendant hidden costs (e.g., design, inspection, and repair costs borne by utilities and, in turn, rate payers but not captured in contractors’ prices), delays, and complaints associated with such work?

We appreciate this opportunity to propose questions to be considered in the upcoming workshops.

Sincerely yours,


Jarrett J. Haskovec

JJH:dv

CC: Client(s) (via U.S. mail)
All Recipients of Above Email Dated Feb. 10, 2010 (via email)

John LeSueur

From: Meghaen Duger [MeghaenDuger@aaronline.com]
Sent: Wednesday, February 10, 2010 2:14 PM
To: John LeSueur
Subject: RE: ACC Line Extension Workshops
Attachments: Meghaen Duger3.vcf; image001.jpg; image002.gif

Also, the cost to ratepayers for reinstating the policy would be great. APS is saying \$100 million but I believe it is only \$6-8 million.

Meghaen Duger
Vice President of Government Affairs
ARIZONA ASSOCIATION OF REALTORS ®



From: John LeSueur [mailto:JLeSueur@azcc.gov]
Sent: Wednesday, February 10, 2010 1:21 PM
To: Meghaen Duger
Subject: RE: ACC Line Extension Workshops

Thanks Meghaen.

From: Meghaen Duger [mailto:MeghaenDuger@aaronline.com]
Sent: Wednesday, February 10, 2010 1:20 PM
To: John LeSueur
Subject: FW: ACC Line Extension Workshops
Importance: High

Some questions.

Meghaen Duger
Vice President of Government Affairs
ARIZONA ASSOCIATION OF REALTORS ®

Meghaen Duger

Vice President of Government Affairs

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255 E. Osborn Rd., Ste. 200

Phoenix, Arizona 85012



From: Tom Augherton
Sent: Friday, February 05, 2010 4:54 PM
To: Meghaen Duger
Subject: RE: ACC Line Extension Workshops
Importance: High

Question: On all line extensions, as with fuel generation costs, can ratepayers obtain (1) actual costs for materials (the line, per foot), transformers, etc. and (2) the actual labor costs?

Question: What is the different linear cost difference, (materials and labor), between buried electric line extensions and overhead pole attached line extensions?

Question: Roughly, what percentage of line extensions are single-customer installations, versus those which 'grow the grid' to further extend company service capability?

Question: What rough percentage of line extensions installations are outside of Maricopa County and what is the remaining percentage are within Maricopa County?

Question: Of all line extensions provided by APS, what percentage are for residential service and what percentage are for commercial/industrial?

Question: How many residential line extension estimates has APS provided since the rule change by the ACC in 2007 that did not result in a subsequent payment and request for a line extension and service?

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Line Extension Policies

APS's Suggested Topics for NOI

- 1) **What, if any, social objectives should be considered when setting a policy that governs the extension of electrical facilities to customers?**
 - Should “growth pay for itself”?
 - What costs should be considered within the construct of electrical line extension rulemaking, i.e., local facilities, system or backbone facilities, upgrades to existing facilities etc.
 - If growth costs should be socialized, in what amount and by what mechanism (e.g. include in base rates and allocate to all customers or allocate to specific customer classes?)
 - Should a uniform policy apply to all utilities, both within classes (i.e. electricity providers) and across classes (i.e., electricity, gas, water, etc.)?
 - Should certain customer groups (such as low income customers, Native American lands) be exempted from an otherwise generally applicable line extension policy?
 - From a social policy standpoint, do certain customers or projects that bring broad-based social benefits (e.g. - high-paying or large quantities of jobs; significant tax base) warrant a different line extension “model” (i.e., economic feasibility study) than a generally applicable line extension policy?
- 2) **Under what circumstances and on what basis, if any, are refunds of customer-funded extensions appropriate.**
- 3) **To what extent is accounting treatment of the proceeds relevant to the over-arching policy discussion regarding who pays for the cost of the line extension?**

- 4) **Is an additional hook-up fee collected separate from, and in addition to, a line extension fee appropriate to recover other costs? If so, what costs should be recovered through such device and in what amount?**
- 5) **What types of extension policies are found in other jurisdictions?**
 - How do the past and current ACC policies compare to those used in other states?
- 6) **If the policy provides for some socialization of extension costs, what is the appropriate policy mechanism to discount the cost of the extension, e.g. “free footage”, “equipment allowance”?**
- 7) **Should a policy that socializes some extension costs be applied differently to different classes of customers; e.g. single family residential customers, subdivisions, or small and large commercial customers?**
- 8) **Under what circumstances or conditions, if any, should a third party be allowed to construct a line extension?**
 - If any such circumstances exist, how should the following corresponding issues be resolved?
 - Scope of third party involvement (design; construction; right-of-way acquisition; licenses and permits, etc.)
 - Applicable specifications, standards and material compatibility.
 - Responsibilities for vendor licensing and registration.
 - Host utility quality assurance, quality control, approved vendor list.
 - Inspection and approval by host utility and associated costs.
 - Warranties and liability issues.