

E.00000J.10.0044



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ORIGINAL

**ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM**

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Investigator: Guadalupe Ortiz

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 86768

Date: 5/6/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: James D.

Downing, P.E.

Account Name: THE HARCUVAR COMPANY

Home:

Street:

Work:

City: Salome

CBR:

State: AZ Zip:

is: Cellular

Utility Company: Miscellaneous Electric

Division: Electric

Contact Name:

Contact Phone:

Nature of Complaint:

****REFERRED FROM UTILITIES DIVISION DIRECTOR - OPINION ON Seferred from Utilities Division Director*****

RE: Docket No. E-00000J-10-0044
From: Jim Downing [mailto:
Sent: Wednesday, May 05, 2010 4:12 PM
To: Steven Olea
Subject: Line Extension Policy

Ms. Mayes was kind enough to conduct a meeting on this subject last Monday in Parker. Based on what I heard, my comments and questions are attached. Your review would be appreciated.

Thanks

James D. Downing, P.E.
THE HARCUVAR COMPANY

Salome, AZ 85348
Phone:
Fax:
Cell:

Arizona Corporation Commission
DOCKETED
MAY - 6 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2010 MAY -6 P 3:54

RECEIVED

ATTACHED - CUSTOMER COMMENTS:

APS / ACC LINE EXTENSION POLICY
MAY, 2010

DOCKETED BY

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

1. A meeting was held at the La Paz County Board of Supervisors meeting room on May 02, 2010 by the ACC to hear and record public comment on the current ACC policy on APS line extensions. The meeting was conducted by ACC chairman Kris Mayes. Many people gave verbal comments, but were limited to three minutes. Therefore, very little detail was exposed.

2. No one had comments concerning previous line extension policies that supposedly "subsidized" real estate developers, commercial or industrial customers. Everyone that spoke was concerned about the canceled "1,000 free feet" for single residential parcels.

3. Based on the information obtained at the meeting, the following are addressed.

4. It is highly unlikely that an in-depth economic analysis within the APS CC&N has been done. No one at the meeting from the ACC quoted the dollar value, on any basis, of the cost to APS of these "1,000 free feet" extensions. Nor did anyone from the ACC provide separate costs incurred by APS under the old policy for single parcels, developers, commercial or industrial customers. Ms. Mayes claimed that a return to the "1,000 free feet" extensions would raise rates, but provided no proof nor increase amount. A true "subsidy" would result in lower construction costs, which would result in lower rents, which would offset higher electric rates.

5. The old policy was in place for 50+ years. Therefore, rural land values are based on that policy. APS charges about \$20.00 per linear foot for overhead, single phase distribution. Therefore, every foot of reduction in the "1,000 free feet" is a \$20.00 reduction in the value of a parcel. A five acre parcel, formerly worth \$40,000, located 1,000 feet from a power line, is now worth \$20,000. That same parcel, located 2,000 feet from a power line, is now worthless. There are approximately 115,000 acres of undeveloped land in La Paz County.

$115,000 \text{ acres} \div 5 \text{ acres per parcel} * (\$20,000) \text{ per parcel} = (\$460,000,000)$

While this is a rudimentary calculation, it shows the order of magnitude of the impact. This would result in a reduction of about \$1,000,000 in annual property tax collections by La Paz County.

6. The current single parcel policy is discriminatory. It reduces rural land values based on the distance from a parcel to an existing power line. Is this an illegal "taking"? Does the ACC have the authority to destroy land values? Does the ACC have the authority to raise urban land values (by lowering rates) by destroying rural land values?

7. APS must be required to justify construction costs. The only way to do this is to obtain quotes from qualified contractors using APS construction specifications. APS can not be allowed to object. They use the same contractors. APS must not be allowed to influence the contractor's bids by threatening to withhold work. The contractor's bid will include profit. APS construction profits should be used to reduce rates.

8. How the cost of the line extensions is handled for rate making purposes is unclear. Conflicting explanations were given by ACC personnel. APS must not be allowed to collect any return of any kind in any way on this cost. This would result in the customer paying for the line extension more than once. The cost should not be treated as revenue; it should be treated as a debt. This is not an APS asset. APS is using an asset supplied by a customer, for which the customer deserves compensation.

End of Complaint

Utilities' Response:

n/a

End of Response

Investigator's Comments and Disposition:

Opinion docketed with the Docket Control Center of the Commission to be made part of the record. CLOSED

End of Comments

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Date Completed: 5/6/2010

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