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SEP 30 2011

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MEMORANDUM

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2011 SEP 30 P 3: 16

AZ CORP COMMISSION
DOCKET CONTROL

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[Signature]

TO: THE COMMISSION

FROM: Utilities Division

DATE: September 30, 2011

RE: ARIZONA PUBLIC SERVICE COMPANY – APPLICATION FOR APPROVAL OF VERSION 12 OF SERVICE SCHEDULE 3 AND AGREEMENT CONCERNING SAME (DOCKET NO. E-01345A-11-0207)

Introduction

On May 20, 2011, Arizona Public Service Company (“APS” or “Company”) filed an application for approval of Version 12 of Service Schedule 3 (“Schedule 3”) and a Proposed Agreement on Issues Related to APS’ Service Schedule 3 (“Proposed Agreement”). The application requests that the Arizona Corporation Commission (“ACC”) approve the Proposed Agreement and Version 12 of Schedule 3, the latter to become effective upon the effective date of new base rates resulting from APS’ June 1, 2011 general rate application.¹

On July 26, 2011, APS filed an amended application with revisions to Schedule 3. The first revision clarified a portion of Section 1.18 regarding the applicability of the Statement of Charges to customers who require transformer capacity of 3,000 kVA or more. The other change proposed to add the cost for the installation of three 167 kVA pole-top transformers to the Schedule of Charges. That specialized installation was not previously reflected in the Schedule of Charges and, according to APS, is most often used to provide service to large irrigation pumps.

Background

APS’ Schedule 3 establishes the terms and conditions under which the Company will extend, relocate, or upgrade facilities in order to provide service to a customer. In Decision No. 69663 (June 28, 2007), the Commission found that a generic docket should be used to gather information to evaluate the feasibility of hook-up fees for electric and gas utilities, but stated that in “the interim, we find that, in view of the unprecedented growth in APS’ service territory, granting APS variances to Arizona Administrative Code (“A.A.C.”) R14-2-207.C.1 and C.2, which require a company to provide a specified footage of distribution line at no charge, is a necessary and appropriate measure to shift the burden of rising distribution infrastructure costs away from the current customer base to growth.”

¹ In the matter of the application of Arizona Public Service Company for a hearing to determine the fair value of the utility property of the company for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rate schedules designed to develop such return. Docket No. E-01345A-11-0224 (June 1, 2011).

Decision No. 69663 required APS to file a revised line extension tariff to eliminate any free footage or free allowance and to remove any requirement for an economic feasibility analysis. APS filed its revised Schedule 3 (Version 10) on July 27, 2007, and then filed an amended version of its proposed Schedule 3 on October 24, 2007. Staff recommended adoption of the Company's proposed tariff filed on October 24, 2007, with the exception that Staff did not agree with the Company's proposal to treat the payments as revenue, and Staff recommended that the payments should be treated as Contributions in Aid of Construction ("CIAC"). In Decision No. 70185 (February 27, 2008), the Commission ordered APS to record all Schedule 3 fees as CIAC.

In Decision No. 71448 (December 30, 2009), the Commission approved Version 11 of Schedule 3. The Settlement Agreement approved with that Decision maintained the Commission's current policy that customers pay for line extensions but authorized APS to record the proceeds from Schedule 3 as revenue during the period from January 1, 2010 through either the earlier of December 31, 2012, or the conclusion of APS' next general rate case. Among new features of Version 11 was the addition of a Schedule of Charges.

Version 12 of Service Schedule 3

Through Version 12 and the Proposed Agreement, APS seeks a compromise that would restore more of a sharing of extension costs between new applicants and the Company (and through rates, the Company's existing electric customers), while preserving the benefits of the Settlement approved in Decision No. 71448. APS proposes that Version 12 become effective concurrently with the effective date of new base electric rates resulting from the Company's June 1, 2011 general rate case filing.

The Proposed Agreement, included with APS' application, was entered into by APS, Arizona Association of Realtors ("AAR"), Home Builders Association of Central Arizona ("HBACA"), Barbara Wyllie-Pecora, Residential Utility Consumer Office ("RUCO"), Arizona Investment Council ("AIC") and International Brotherhood of Electrical Workers Local Unions 387 and 769. The signatories to the Proposed Agreement have agreed to Version 12 of Schedule 3.

Major revisions to Schedule 3 included in Version 12 include:

- a 750-foot allowance for individual residential applicants up to a \$10,000 maximum (excluding the transformer) with a non-refundable payment by the applicant for costs in excess of \$10,000 based on the Schedule of Charges set forth in Schedule 3 (§§ 2.1.1, 2.1.2);
- a refundable advance² for equipment up to \$3,500 per lot (excepting street lighting or custom features) for new residential subdivisions (§§ 2.2.4, 2.2.5);

² Refundable advances are eligible to be paid back over a five-year period. Refunds of refundable advances are governed by Section 5 of Service Schedule 3, Version 12. Refunds are typically paid to applicants as subdivisions

- a \$1,000 per unit refundable advance for equipment for multiunit residential housing (§2.5.5);
- the application of an economic feasibility study for general service applicants (§3.1.5.1, §3.1.5.2);
- clarification as to the use by applicants of third-party contractors for construction (§7.15); and
- non-refundable construction costs, including costs that exceed the allowances described above, will be recorded as non-refundable CIAC.

Because the proposed Version 12 of Schedule 3 is similar to the version of Schedule 3 in effect prior to July 1, 2007 (Version 8), the special “carve outs” that exist in the current version of Schedule 3 (Version 11) would be eliminated and be replaced with one uniform policy. Currently existing special “carve outs” exempt Residential Homes on Native American Land (Version 11, §5.17.1) and Individual Residence Extension for Residences Owned by Limited Income Owners (Version 11, §5.17.2) from application of Version 11 of Schedule 3. Extensions for these customers operated according to the provisions of Schedule 3 that was in effect April 1, 2005 through June 30, 2007.

Impact of Version 12 on Residential Ratepayers

Incorporating these proposed changes into Schedule 3 will require an increase to APS’ annual revenue requirement as all customers will share in the costs of extending facilities to new customers. Although it is difficult to predict customer growth, APS estimates extending facilities to 25,000 customers per year over the next three years. Given this assumption, APS estimates that the impacts of Version 12 on the average residential ratepayer would total approximately \$0.76 per month over the next three years.

Extension of Refund Period

In its application, and in the Proposed Agreement, APS is requesting approval to extend the refund period for refundable advances made during 2006, 2007, or 2008, for an additional three years beyond the term set forth in the individual line extension agreements. Alternatively, if no APS facilities have actually been constructed to serve an applicant making a refundable advance in 2006, 2007 or 2008, the applicant may elect to cancel its line extension agreement with APS and receive a refund of the advance less any costs actually incurred by APS. Such applicant would thereafter be free to reapply for service under the terms of Schedule 3 then in effect.

or multifamily housing are built out. Refunds are also paid to other applicants as additional customers connect to the extension facility paid for by the original applicant.

While Staff is not making a recommendation regarding the Proposed Agreement, Staff recommends that APS' request to extend the refund period, as presented in the application, be approved by the Commission. Extending the refund period for this set of customers is beneficial to both APS and those customers. Given the economic situation of the past few years, construction, in general, has slowed. As a result, most of these applicants have not received refunds of their advances. With the refund period for these advances coming to an end soon, APS' proposal would give these customers an additional three years from the term set forth in their individual agreements to receive a refund. Approving this extension would have no negative impact on other APS customers. There is a total balance of approximately \$97 million available for refunds for applicants that made a refundable advance in 2006, 2007 or 2008. If this money is not refunded to the applicants, it will be recorded as CIAC, incurring tax liability for APS. It is in the best interest for both the Company and the relevant applicants for the Commission to extend the refund period as requested.

Economic Feasibility Analysis

Version 12 of Schedule 3 includes Section 3.1.5 regarding the use of economic feasibility analyses for general service applicants. While Staff is in favor of economic feasibility analyses for general service applicants, Section 3.1.5 requires clarification concerning the process used to determine economic feasibility and the potential for refunds for this customer class.

Staff proposes that the term "distribution service" in Sections 1.5, 3.1.5.1 and 3.1.5.2 be replaced with "delivery service." The purpose of this change is to provide commonality of language between Schedule 3 and general service retail rate schedules.

Further, Staff proposes that the currently proposed Section 3.1.5.3 be changed to Section 3.1.5.4 and that the following language be included as Section 3.1.5.3:

"3.1.5.3. Applicants whose Extension Facilities are installed on the basis of an Economic Feasibility analysis which determines that the estimated installation cost of the Extension Facilities is not supported by the applicant's estimated delivery service revenue may be required to advance sufficient funds to make installation of the Extension Facilities economically feasible. Company reserves the right to collect a full advance from the applicant based on the project scope, location, applicant's financial condition or organizational structure of the applicant.

Applicants whose Economic Feasibility analysis results in the requirement for a payment in advance of construction may be eligible for a refund of such advance over the term of the Line Extension Agreement's five-year period if the actual annual delivery service revenue for the applicant's project exceeds the estimated delivery service revenue used in the Economic Feasibility analysis.

The Economic Feasibility analysis for the Extension Facilities will be reviewed at the end of the third and fifth year of the Line Extension Agreement based on actual

delivery service revenue for the preceding year and to the degree that actual revenue supports the Extension Facilities cost, all or a portion of the applicant's construction advance may be refunded. In no case will refunds exceed the unrefunded balance of the applicant's advance.

Any unrefunded balance remaining five years from the date of the Company's executed Line Extension Agreement shall become a non-refundable contribution in aid of construction."

Recommendations

Staff recommends that the Commission approve Version 12 of Service Schedule 3, as discussed herein and attached hereto.

Staff recommends that the term "distribution service" in Sections 1.5, 3.1.5.1, and 3.1.5.2 be replaced with "delivery service."

Staff recommends that the currently proposed Section 3.1.5.3 be changed to Section 3.1.5.4 and that the following language be included as Section 3.1.5.3:

"3.1.5.3 Applicants whose Extension Facilities are installed on the basis of an Economic Feasibility analysis which determines that the estimated installation cost of the Extension Facilities is not supported by the applicant's estimated delivery service revenue may be required to advance sufficient funds to make installation of the Extension Facilities economically feasible. Company reserves the right to collect a full advance from the applicant based on the project scope, location, applicant's financial condition or organizational structure of the applicant.

Applicants whose Economic Feasibility analysis results in the requirement for a payment in advance of construction may be eligible for a refund of such advance over the term of the Line Extension Agreement's five-year period if the actual annual delivery service revenue for the applicant's project exceeds the estimated delivery service revenue used in the Economic Feasibility analysis.

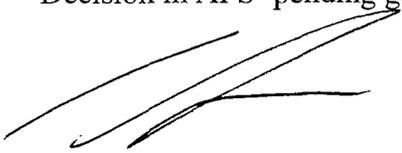
The Economic Feasibility analysis for the Extension Facilities will be reviewed at the end of the third and fifth year of the Line Extension Agreement based on actual delivery service revenue for the preceding year and to the degree that actual revenue supports the Extension Facilities cost, all or a portion of the applicant's construction advance may be refunded. In no case will refunds exceed the unrefunded balance of the applicant's advance.

Any unrefunded balance remaining five years from the date of the Company's executed Line Extension Agreement shall become a non-refundable contribution in aid of construction."

Staff recommends that the Commission approve APS' request to extend the refund period for refundable advances made during 2006, 2007, or 2008, for an additional three years beyond the term set forth in the individual line extension agreements or, alternatively, if no APS facilities have actually been constructed to serve an applicant making a refundable advance in 2006, 2007 or 2008, allow the applicant to cancel its line extension agreement with APS, receive a refund of the advance less any costs actually incurred by APS, and reapply for service under the terms of Schedule 3 then in effect if the applicant so chooses.

Staff recommends that Version 12 of Service Schedule 3 become effective concurrently with the effective date of new base electric rates resulting from the Company's June 1, 2011 general rate case filing.

In addition, Staff recommends that APS file in Docket Control Version 12 of Service Schedule 3 consistent with the Decision in this case within 15 days of the effective date of the Decision in APS' pending general rate case (Docket No. E-01345A-11-0224).



Steven M. Olea
Director
Utilities Division

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**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

Provision of electric service from Arizona Public Service Company (Company) may require construction of new facilities or the relocation and/or upgrade of existing facilities. Costs for construction depend on the applicant's location, scope of project, load size, and load characteristics. Costs include, but are not limited to, project management, coordination, engineering, design, surveys, permits, construction inspection, and support services. This schedule establishes the terms and conditions under which Company will extend, relocate, and/or upgrade its facilities in order to provide service.

All facility installations and/or upgrades shall be made in accordance with good utility construction practices, as determined by Company, and are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension as determined by Company.

The following provisions govern the installation of overhead and underground electric distribution facilities to applicants whose requirements are deemed by Company to be usual and reasonable in nature.

1. DEFINITIONS

- 1.1. **APS Approved Electrical Distribution Contractor** means an electrical contractor who is licensed in the State of Arizona and properly qualified to install electric distribution facilities in accordance with Company standards and good utility construction practices as determined by Company.
- 1.2. **Conduit Only Design** means the conduit layout design for the installation of underground Extension Facilities that will be required when the Extension Facilities are to be installed at a later date.
- 1.3. **Corporate Business and Industrial Development** means a tract of land which has been divided into contiguous lots in which a developer offers improved lots for sale and the purchaser of the lot is responsible for construction of buildings for commercial and/or industrial use.
- 1.4. **Doubtful Permanency** means a customer who in the opinion of the Company is neither Permanent nor Temporary. Service which, in the opinion of the Company, is for operations of a speculative character is considered Doubtfully Permanent.
- 1.5. **Economic Feasibility** means a determination by Company that the estimated annual revenue based on Company's then currently effective rate for ~~distribution-delivery~~ service (excluding taxes, regulatory assessment and other adjustments) less the cost of service provides an adequate rate of return on the investment made by Company to serve the applicant.
- 1.6. **Execution Date** means the date Company signs the agreement after the applicant has signed the agreement and money has been collected by company.
- 1.7. **Extension Facilities** means the electrical facilities, including conductors, cables, transformers, and related equipment installed solely to serve an individual applicant, or groups of applicants. For example, the Extension Facilities to serve a Residential Subdivision would consist of the line extension required to connect the subdivision to Company's existing system, as well as Company's electrical facilities constructed within the subdivision which would include primary and service lines, and transformers.
- 1.8. **High Rise and/or Mixed-Use Development** means a building built with four or more floors (usually using elevators for accessing floors) or any mixed use development that may consist of either residential or non-residential use or both, such as a building where the first level is for commercial purposes and the upper floors are residential.
- 1.9. **Irrigation** means water pumping service.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: January 31, 1954

A.C.C. No. XXXX
Canceling A.C.C. No. 5766
Service Schedule 3
Revision No. 12
Effective:XXXXXXX



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

- ~~1.9.1.10.~~ **Line Extension Agreement** means the contractual agreement between Company and applicant that defines applicant payment requirements, terms of refund, scope of project, estimated costs, and construction responsibilities for Company and the applicant. Line Extension Agreements may be assigned to applicants successors in interest with Company approval, which approval shall not be unreasonably withheld.
- 1.11. **Master Planned Community Development** means a development that consists of a number of separately subdivided parcels for different Residential Subdivisions. The development may also incorporate a variety of uses including multi-family, non-residential, and public use facilities.
- 1.12. **Permanent** means a customer who is a tenant or owner of a service location who applies for and receives electric service, which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature. Permanency at the service location may be established by such things as city/county/state permits, a permanent water system, an approved sewer/septic system, or other permanent structures.
- 1.13. **Project-Specific Cost Estimate** means cost estimates that are developed recognizing the unique characteristics of large or special projects to which the Schedule of Charges is not applicable. A Project-Specific Cost Estimate provided to an applicant is valid for a period of up to six (6) months from the date the estimate is provided to the applicant.
- 1.14. **Residential "Lot Sale" Development** means a tract of land that has been divided into four (4) or more contiguous lots in which a developer offers improved lots for sale and the purchaser of the lot is responsible for construction of a residential home.
- 1.15. **Residential Multi-Family Development** means a development consisting of apartments, condominiums, or townhouses.
- 1.16. **Residential Single Family** means a house, or a manufactured or mobile home Permanently affixed to a lot or site.
- 1.17. **Residential Subdivision** means a tract of land which has been divided into four (4) or more contiguous lots with an average size of one acre or less in which the developer is responsible for the construction of residential homes or permanent manufactured or mobile home sites.
- 1.18. **Schedule of Charges** means the list of charges that is used to determine the applicant's cost responsibility for the Extension Facilities. An applicant requesting an extension will be provided a sketch showing the Extension Facilities and an itemized cost quote based on the Schedule of Charges or other applicable details. When the Schedule of Charges is not applicable, charges for Extension Facilities shall be determined by the Company based on Project-Specific Cost Estimates. The Schedule of Charges is attached to this Service Schedule as Attachment 1. The Schedule of Charges will be reviewed and updated from time to time by Company with the Arizona Corporation Commission.

The Schedule of Charges is not applicable for the following:

- 1.18.1. Extension Facilities requiring modifications, removal, relocations or conversions of existing facilities in conjunction with a new extension or existing customer requested upgrade. The removal, replacement, conversion, and new Extension Facilities charges will be determined by a combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project and may include residual value costs as computed in accordance with the method described in A.R.S 40-347.



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- 1.18.2. Extension Facilities required for modifications, relocations or conversions of existing facilities not in conjunction with a new extension or existing customer upgrade.
 - 1.18.3. Extension Facilities for General Service applicants with estimated demand loads of three (3) megawatts or greater, or that require in aggregate 3,000 kVA of transformer capacity or greater.
 - 1.18.4. Extension Facilities that require three phase transformer installations greater than the sizes noted in the Schedule of Charges.
 - 1.18.5. Extension Facilities required for High Rise and/or Mixed-Use Developments or Temporary service.
 - 1.18.6. Extension Facilities involving spot networks, vault installations, primary metering, or specialized or additional equipment for enhanced reliability.
 - 1.19. **Temporary** means premises or enterprises which are temporary in character, or where it is known in advance that the Extension Facilities will be of limited duration.
2. RESIDENTIAL
- 2.1. SINGLE FAMILY HOMES

Extension Facilities will be installed to new Permanent residential applicants or groups of new Permanent residential applicants under the following conditions:

 - 2.1.1. Free footage basis extensions are made under the following conditions:
 - 2.1.1.1. The total footage of the Extension Facilities (primary, secondary, service) does not exceed 750 feet per applicant, or \$10,000; or
 - 2.1.1.2. The total cost of the Extension Facilities as determined by Company is less than \$10,000 per applicant.
 - 2.1.2. All additional construction costs over \$10,000 per applicant will be paid by applicant(s) as a non-refundable contribution in aid of construction.
 - 2.1.3. Applicants who combine to form a group may also combine their allowance as specified in Sections 2.1.1.1 and 2.1.1.2.
 - 2.1.4. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project which shall exclude the cost of the transformer(s). Construction costs in excess of the allowances as described in 2.1.1.1 and 2.1.1.2 shall be paid by the applicant prior to the Company installing facilities. Payment is due at the time the Line Extension Agreement is signed by the applicant.
 - 2.1.5. The applicant(s) signs a Line Extension Agreement.
 - 2.1.6. The site plan has been approved and recorded in the county having jurisdiction.
 - 2.1.7. The footage allowance of 750 feet and cap of \$10,000 shall be reviewed from time to time with the Arizona Corporation Commission.



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2.1.8. Examples of the application of 2.1.1 and 2.1.2 can be found in Attachment 2 – Free Footage Illustrative Example.

2.2. RESIDENTIAL SUBDIVISION DEVELOPMENTS

Extension Facilities will be installed to Residential Subdivision developments of four (4) or more homes in advance of application for service by Permanent customers under the following conditions:

2.2.1. The applicant(s) signs a Line Extension Agreement.

2.2.2. The subdivision development plat has been approved and recorded in the county having jurisdiction.

2.2.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project.

2.2.4. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of construction by the Company. Payment is due at the time the Line Extension Agreement is signed by the applicant.

2.2.4.1. A portion of the project cost shall be designated as a refundable advance and will be eligible for refund based on the “per lot” allowance provisions of Section 2.2.5 and in accordance with Section 5.

2.2.4.2. In lieu of a cash payment for the refundable advance amount, the Company shall reserve the right to accept an alternative financial instrument, such as a Letter of Credit or Surety Bond based on the financial condition, or organizational structure of developer.

2.2.4.3. That portion of the project cost in excess of the refundable advance shall be non-refundable in addition to any other non-standard construction charges such as street lights.

2.2.5. The refundable advance will be eligible for refund based on a “per lot” allowance of \$3,500 for each Permanently connected residential customer over a five (5) year period. Refunds of refundable advances shall be governed by Section 5. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement with the applicant. A review of the project will be conducted annually to determine subdivision buildout, and if the qualifications have been met for any refunds.

2.2.6. Examples of the application of 2.2.4 can be found in Attachment 3 – Residential Subdivision Illustrative Example.

2.3. RESIDENTIAL “LOT SALE” DEVELOPMENTS

Extension Facilities will be installed to residential “lot sale” developments in advance of application for service by Permanent applicants under the following conditions:

2.3.1. The applicant(s) signs a Line Extension Agreement.

2.3.2. The development plat has been approved and recorded in the county having jurisdiction.



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2.3.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

2.3.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.

2.3.5. Company will provide a "Conduit Only Design" provided applicant makes a payment in the amount equal to the estimated cost of the preparation of the design, in addition to the costs for any materials, field survey and inspections that may be required.

2.3.6. Extension Facilities will be installed to individual applicants in accordance with provisions listed in Section 2.1.

2.4. MASTER PLANNED COMMUNITY DEVELOPMENTS

Extension Facilities will be installed to Master Planned Community Developments in advance of application for service by Permanent applicants under the following conditions:

2.4.1. The applicant(s) signs a Line Extension Agreement.

2.4.2. The site development plan has been approved and recorded in the county having jurisdiction.

2.4.3. The cost of extending service to applicant will be determined by a Project-Specific Cost Estimate based on the scope of the project. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

2.4.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.

2.4.5. Extension Facilities will be installed to each subdivided tract within the planned development in accordance with the applicable sections of this Service Schedule 3.

2.5. RESIDENTIAL MULTI-FAMILY DEVELOPMENTS

Extension Facilities will be installed to Residential Multi-Family Developments in advance of application for service by Permanent customers under the following conditions:

2.5.1. The applicant signs a Line Extension Agreement.

2.5.2. The site development plan has been approved and recorded in the county having jurisdiction.

2.5.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost estimate depending on the scope of the project.



**SERVICE SCHEDULE 3
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- 2.5.4. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 2.5.4.1. A portion of the project cost shall be designated as a refundable advance and will be eligible for refund based on the "per unit" refundable allowance provisions of Section 2.5.4 and in accordance with Section 5.
- 2.5.4.2. In lieu of a cash payment for the refundable advance amount, the Company shall reserve the right to accept an alternative financial instrument, such as a Letter of Credit or Surety Bond based on the financial condition, or organizational structure of applicant.
- 2.5.4.3. That portion of the project cost in excess of the refundable advance shall be non-refundable in addition to any other non-standard construction charges such as street lights etc.
- 2.5.5. The refundable advance will be eligible for refund based on a "per unit" allowance of \$1,000 for each new meter installed over a five (5) year period. Refunds of refundable advances shall be governed by Section 5. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement. A review of the project will be conducted annually to determine buildout and if the qualifications have been met for any refunds.

3. GENERAL SERVICE INCLUDING IRRIGATION

3.1. GENERAL PROVISIONS

- 3.1.1. Extension Facilities that do not meet the requirements under Section 2 Residential will be considered General Service and will be installed to all applicants who meet the qualifications under Sections 3 and 4 of this Service Schedule 3.
- 3.1.2. The project costs for General Service Extension Facilities installations will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant. The site development plan for the project for which the Line Extension has been requested must be approved and recorded in the county having jurisdiction prior to signing the Line Extension Agreement.
- 3.1.3. The cost for Extension Facilities installed for applicants with estimated demand loads of less than three (3) megawatts or less than 3,000 kVA of transformer capacity, will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 3.1.4. The cost for Extension Facilities installed for applicants with projected loads of three (3) megawatts or greater, requiring transformer capacity of 3,000 kVA and greater, special requests involving primary metering, or specialized/additional equipment for enhanced reliability shall be determined by the Company based on Project-Specific Cost Estimates. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
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Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

3.1.5. Economic Feasibility analysis for General Service applicants:

3.1.5.1. Economic Feasibility for projects where the applicant's Extension Facilities cost (excluding non-refundable applicant contributions such as street lights and other non-standard construction charges) is \$25,000 or less shall be established where the estimated annual revenue based on Company's then currently effective rate for ~~distribution-delivery~~ service (excluding taxes, regulatory assessment and other adjustments) multiplied by six (6) is equal to or greater than the cost of the applicant's Extension Facilities.

3.1.5.2. Economic Feasibility for projects where the applicant's Extension Facilities cost (excluding non-refundable applicant contributions such as street lights and other non-standard construction charges) is greater than \$25,000 shall be established where the estimated annual revenue based on Company's then currently effective rate for ~~distribution-delivery~~ service (excluding taxes, regulatory assessment and other adjustments), less the cost of service, provides an adequate rate of return on the investment made by Company to serve the applicant.

3.1.5.3. Applicants whose Extension Facilities are installed on the basis of an Economic Feasibility analysis which determines that the estimated installation cost of the Extension Facilities is not supported by the applicant's estimated delivery service revenue may be required to advance sufficient funds to make installation of the Extension Facilities economically feasible. Company reserves the right to collect a full advance from the applicant based on the project scope, location, applicant's financial condition or organizational structure of the applicant.

Applicants whose Economic Feasibility analysis results in the requirement for a payment in advance of construction may be eligible for a refund of such advance over the term of the Line Extension Agreement's five-year period if the actual annual delivery service revenue for the applicant's project exceeds the estimated delivery service revenue used in the Economic Feasibility analysis.

The Economic Feasibility analysis for the Extension Facilities will be reviewed at the end of the third and fifth year of the Line Extension Agreement based on actual delivery service revenue for the preceding year and to the degree that actual revenue supports the Extension Facilities cost, all or a portion of the applicant's construction advance may be refunded. In no case will refunds exceed the unrefunded balance of the applicant's advance.

Any unrefunded balance remaining five years from the date of the Company's executed Line Extension Agreement shall become a non-refundable contribution in aid of construction.

~~3.1.5.3.~~ 3.1.5.4. _____ Company may include a capacity factor component, as determined by Company, to the Economic Feasibility Analysis for applicants that request excess or redundant system capacity.

3.2. HIGH RISE AND/OR MIXED-USE DEVELOPMENTS

Extension Facilities will be installed to High Rise and/or Mixed-Use Developments in advance of application for service by Permanent applicants under the following conditions:

3.2.1. The residential units are privately owned and either individually metered or master metered in



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

accordance with Section 7.10.

- 3.2.2. Extension Facilities will be installed to designated points of delivery and it is the applicant's responsibility to provide and maintain the electrical facilities within the building.
- 3.2.3. The applicant signs a Line Extension Agreement.
- 3.2.4. The site development plan has been approved and recorded in the county or city having jurisdiction.
- 3.2.5. The charges for Extension Facilities will be determined based on a Project-Specific Cost Estimate, and shall be paid by the applicant prior to Company installing facilities.
- 3.2.6. Prior to the ordering of specialized materials or equipment required to provide service applicant will be required to make an advance payment to the Company for the estimated cost of the material or equipment in accordance with Section 7.13 of this Service Schedule 3.
- 3.2.7. A signed Line Extension Agreement and any required advance payment are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

3.3. CORPORATE BUSINESS & INDUSTRIAL PARK DEVELOPMENTS

Extension Facilities will be made to Corporate Business and Industrial Park Developments in advance of application for service by Permanent customer under the following conditions:

- 3.3.1. The applicant signs a Line Extension Agreement.
- 3.3.2. The site development plan has been approved and recorded in the county or city having jurisdiction.
- 3.3.3. The cost of installing Extension Facilities will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a project-specific cost estimate depending on the scope of the project.
- 3.3.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.
- 3.3.5. Payment of all project costs is required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 3.3.6. Company will provide a "Conduit Only Design" provided applicant makes a payment in the amount equal to the estimated cost of the preparation of the design, in addition to the costs for any materials, field survey and inspections that may be required.
- 3.3.7. Extension Facilities will be installed to individual lots (at the request of an applicant) within the Corporate Business and Industrial Park Development in accordance with the applicable sections of this Service Schedule 3.

4. OTHER CONDITIONS

4.1. TEMPORARY APPLICANTS

- 4.1.1. Where Temporary Extension Facilities are required to provide service to the applicant, the applicant



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
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shall make a non-refundable payment in advance of installation or construction equal to the cost of installing and removing of the facilities required in providing Temporary service, less the salvage value of such facilities. Charges will be determined by Company based on a Project-Specific Cost Estimate. Payment is due at the time the Line Extension Agreement is signed by the applicant.

- 4.1.2. When use of the Temporary service is discontinued or service is terminated, Company may dismantle and remove its facilities, and the materials and equipment provided by Company will remain Company property.

4.2. DOUBTFUL PERMANENCY CUSTOMERS

When, in the opinion of Company, permanency of the applicant's residence or operation is doubtful, the applicant will be required to pay the total cost of the Extension Facilities. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.

- 4.2.1. Payment of all project costs is required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

4.3. MUNICIPALITIES AND OTHER GOVERNMENTAL AGENCIES

Relocation of existing facilities and/or Extension Facility installations required to serve loads of municipalities or other governmental agencies may be constructed prior to the receipt of a signed Line Extension Agreement. However, this does not relieve the municipality or governmental agency of the responsibility for payment of the Extension Facilities costs in accordance with the applicable sections of this Service Schedule 3.

The effective date for projects enacted under this provision for purposes of Section 5 shall be the date the municipality or agency provided written approval to the Company to proceed with construction.

5. REFUNDS

5.1. GENERAL REFUND CONDITIONS

- 5.1.1. No refund will be made to any applicant for an amount more than the un-refunded balance of the applicant's refundable advance.
- 5.1.2. Company reserves the right to withhold refunds to any applicant who is delinquent on any account, agreement, or invoice, including the payment of electric service, and may apply these refund amounts to past due bills.
- 5.1.3. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement with the applicant. Any un-refunded advance balance shall become a non-refundable contribution in aid of construction five (5) years from the Execution Date of the agreement.
- 5.1.4. Refunds will be mailed to the applicant of record noted on the executed agreement no later than 60-days from the annual review date.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
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6. UNDERGROUND CONSTRUCTION

6.1. GENERAL UNDERGROUND CONSTRUCTION POLICY

With respect to all underground installations pursuant to a Line Extension Agreement, Company will install underground facilities only if all of the following conditions are met:

- 6.1.1. The Extension Facilities meet all requirements as specified in Sections 1, 2, 3, or 4 of this Service Schedule 3.
- 6.1.2. The applicant provides all earth-work including, but not limited to, trenching, boring or punching, backfill, compaction, and surface restoration in accordance with Company specifications, and signs a trench agreement.
- 6.1.3. The applicant provides installation of equipment pads, pull-boxes, manholes, conduits, and appurtenances as required and in accordance with Company specifications.
- 6.1.4. In lieu of applicant providing these services and equipment, the applicant may pay Company to provide these services and equipment as a non-refundable contribution in aid of construction. The payment will equal the cost of such work plus any administrative or inspection fees incurred by Company. Applicants electing this option will be required to sign an agreement indemnifying and holding Company harmless against claims, liabilities, losses or damage (Claims) asserted by a person or entity other than Company's contractors, which Claims arise out of the trenching and conduit placement, provided the Claims are not attributable to the Company's gross negligence or intentional misconduct.

7. GENERAL CONDITIONS

7.1. VOLTAGE

- 7.1.1. All Extension Facility installations will be designed and constructed for operation at standard voltages used by Company in the area in which the Extension Facilities are located. At the request of applicant, Company may, at its option, deliver service for special applications of non-standard or higher voltages with prior approval from Company's Engineering Department. Applicant will be required to pay the costs of any required studies as a non-refundable payment.
- 7.1.2. Extension Facilities installed at higher voltages will be limited to serving an applicant operating as one integral unit under the same name and as part of the same business on adjacent and contiguous sites not separated by private property owned by another party or separated by public property or public right-of-way.

7.2. POINT OF DELIVERY

- 7.2.1. For overhead service, the point of delivery shall be where Company's service conductors terminate at the applicant's weatherhead or bus riser.
- 7.2.2. For underground service, the point of delivery shall be where Company's service conductors terminate in the applicant's or development's service equipment. The applicant shall furnish, install and maintain any risers, raceways and/or termination cabinets necessary for the installation of Company's underground service conductors.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

7.2.3. For special applications where service is provided at voltages higher than the standard voltages specified in the APS Electric Service Requirements Manual, Company and applicant shall mutually agree upon the designated point of delivery.

7.3. EASEMENTS

All suitable easements or rights-of-way required by Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the applicant or other property required for the Extension Facilities, shall be provided to the Company in Company's name by the applicant without cost to or condemnation by Company prior to commencement of Company's construction of Extension Facilities. All easements or rights-of-way obtained on behalf of Company shall contain such terms and conditions as are acceptable to Company.

7.4. GRADE MODIFICATIONS

If after construction of Extension Facilities, the final grade of the property established by the applicant is changed in such a way as to require relocation of Company facilities, or the applicant's actions or those of his contractor results in damage to such facilities, the cost of replacement, relocation and/or resulting repairs shall be borne by applicant as a non-refundable contribution in aid of construction.

7.5. OWNERSHIP

Except for applicant owned facilities, all Extension Facilities installed in accordance with this Service Schedule 3 will be owned, operated, and maintained by Company.

7.6. MEASUREMENT AND LOCATION

7.6.1. Measurement must be along the proposed route of construction.

7.6.2. Construction will be on public streets, roadways, highways, or easements acceptable to Company.

7.6.3. The Extension Facilities must be a branch from, the continuation of, or an addition to, Company's existing distribution facilities.

7.7. UNUSUAL CIRCUMSTANCES

In unusual circumstances as determined by Company, when the application and provisions of this Service Schedule 3 appear impractical, or in case of extension of lines to be operated on voltages other than specified in the applicable rate schedule, or when applicant's estimated demand load will exceed 3,000 kW, Company may make a special study of the conditions to determine the basis on which service may be provided. Additionally, Company may require special contract arrangements as provided for in the Company's Service Schedule 1, Terms and Conditions for Standard Offer and Direct Access Service.

7.8. ABNORMAL LOADS

Company, at its option, may install Extension Facilities to serve certain abnormal loads (such as: transformer type welders, x-ray machines, wind machines, excess capacity for test purposes and loads of unusual characteristics) and the costs of any distribution system modifications or enhancements required to serve the applicant will be included in the payment described in previous sections of this Service Schedule 3.

7.9. UPGRADES, RELOCATIONS AND/OR CONVERSIONS



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

7.9.1. Company will upgrade, relocate or convert from overhead to underground its facilities for the applicant's convenience or aesthetics. The cost of upgrades, relocations or conversions not in conjunction with a new extension or existing customer upgrade will be determined by a Project-Specific Cost Estimate and may include residual value costs as computed in accordance with the method described in A.R.S Section 40-347.

7.9.2. When the relocation of Company facilities involves "prior rights" conditions, the applicant will be required to make payment equal to the estimated cost of relocation as determined by a Project-Specific Cost Estimate. In addition applicant shall be required to provide similar "rights" for the relocated facilities.

7.10. MASTER METERING

7.10.1. Mobile Home Parks

Company shall refuse service to all new construction and/or expansion of existing Permanent residential mobile home parks unless the construction and/or expansion are individually metered by Company.

7.10.2. Residential Apartment Complexes, Condominiums

Company shall refuse service to all new construction of apartment complexes and condominiums which are master metered unless the builder or developer can demonstrate that the installation meets the provisions of R14-2-205 of the Arizona Corporation Commission's Rules and Regulations or the requirements discussed in 7.10.3 below. This section is not applicable to Senior Care/Nursing Centers registered with the State of Arizona with independent living units which provide packaged services such as housing, food, and nursing care.

7.10.3. Multi-Unit High Rise Residential Developments

7.10.3.1. Company will allow master metering for high rise residential units where the residential units are privately owned provided the building will be served by a centralized heating, ventilation and/or air conditioning system, and each residential unit shall be individually sub-metered and responsible for energy consumption of that unit.

7.10.3.2. Sub-metering shall be provided and maintained by the builder or homeowners association.

7.10.3.3. Responsibility and methodology for determining each unit's energy billing shall be clearly specified in the original bylaws of the homeowners association, a copy of which must be provided to Company prior to Company installing Extension Facilities.

7.10.3.4. Company will convert its facilities from a master metered system to a Permanent individually metered system at the applicant's request provided the applicant makes a non-refundable contribution in aid of construction equal to the residual value plus the removal costs less salvage of the master meter facilities to be removed. The new facilities to serve the individual meters will be extended on the basis specified in Section 1 of this Service Schedule 3. Applicant is responsible for all costs related to the installation of new service entrance equipment.

7.11. CHANGE IN APPLICANT'S SERVICE REQUIREMENTS

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: January 31, 1954

A.C.C. No. XXXX
Canceling A.C.C. No. 5766
Service Schedule 3
Revision No. 12
Effective:XXXXXX



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

Company will rebuild, modify, or upgrade its existing facilities to meet the applicant's added load or change in service requirements on the basis specified in Section 2, 3, or 4. Charges for such changes will be in accordance with the Schedule of Charges and/or a Project-Specific Cost Estimate determined by the Company based on project-specific requirements.

7.12. STUDY AND DESIGN AGREEMENT

Any applicant requesting Company to prepare special studies or detailed plans, specifications, or cost estimates will be required to make a payment to Company in an amount equal to the estimated cost of preparation. When the applicant authorizes Company to proceed with construction of the Extension Facilities, the payment will be credited to the cost of the Extension Facilities otherwise the payment shall be non-refundable. Company will prepare, without charge, a preliminary sketch and rough estimate of the cost to be paid by the applicant upon request.

7.13. MATERIAL ORDER AGREEMENT

Any applicant requesting Company to enter into a Line Extension Agreement, or relocation agreement which requires either large quantities of material or material and equipment which the Company does not keep in stock will be required to make a payment to Company prior to the material being ordered in an amount equal to the material/equipment's estimated cost. When the applicant authorizes Company to proceed with construction of the extension, the payment will be credited to the cost of the extension; otherwise the payment shall be non-refundable.

7.14. INTEREST

All refundable advances made by the applicant to the Company shall be non-interest bearing.

7.15. APPLICANT CONSTRUCTION OF COMPANY DISTRIBUTION FACILITIES

7.15.1. Applicant may provide construction related labor only services associated with the installation of new distribution line facilities (21 kV and below) to serve the applicant's new or added load provided the applicant receives written approval from Company prior to performing any such services and uses electrical contractors who are qualified and licensed in the State of Arizona to construct such facilities and designated as an APS Approved Electrical Distribution Contractor.

This option is not available for the following:

7.15.1.1. Replacement, modifications, upgrades, relocation, or conversions of existing systems.

7.15.1.2. Where all or a portion of the distribution line facilities are to be constructed on or installed on existing distribution line or transmission lines.

7.15.2. All construction services provided by the applicant shall be subject to inspection by a duly authorized Company representative and shall comply with Company designs, construction standards, and other requirements which may be in effect at the time of construction. Any work found to be substandard in the sole opinion of the Company must be corrected by applicant prior to energization by Company.

7.15.3. Applicant shall reimburse Company for all inspection and project coordination costs as a non-



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

refundable contribution in aid of construction. Estimated costs for inspection and project coordination will be identified in the construction agreement executed by Company and applicant.

- 7.15.4. Costs for Extension Facilities for applicants who provide construction of Company distribution facilities shall be based on a Project-Specific Cost Estimate.
- 7.15.5. A signed agreement and advance payment of all project costs are required prior to the start of applicant construction. Payment is due at the time the agreement is signed by the applicant.
- 7.15.6. For applicants that are not served by the terms in Section 3 of this document, Company shall provide a Project-Specific Cost Estimate. Applicants may submit an invoice detailing costs of Extension Facilities and apply any allowance provided in Section 2 to these costs. At no point shall these costs exceed the Company's Project-Specific Cost Estimate.
- 7.15.7. Applicants served by the terms in Section 3 of this document shall be subject to the rules set forth in Sections 3 and 5.

7.16. SETTLEMENT OF DISPUTES

Any dispute between the applicant or prospective applicant and Company regarding the interpretation of these "Conditions Governing Extensions of Electric Distribution Lines and Services" may, by either party, be referred to the Arizona Corporation Commission or a designated representative or employee thereof for determination.

7.17. LINE EXTENSION AGREEMENTS

All facility installations or equipment upgrades requiring payment by an applicant shall be in writing and signed by both the applicant and Company.

7.18. ADDITIONAL PRIMARY FEED OR SPECIALIZED EQUIPMENT

When specifically requested by an applicant to provide an alternate primary feed or specialized equipment (excluding transformation), Company will perform a special study to determine the feasibility of the request. The applicant will be required to pay for the cost of the additional feed requested as a non-refundable contribution in aid of construction. Installation cost will be based on a Project-Specific Cost Estimate. Payment for the installation of Extension Facilities is due at the time the Line Extension Agreement is signed by the applicant.

7.19. GRANDFATHERING

An applicant that has entered into a Line Extension Agreement with the Company under a previous revision of this Service Schedule 3 may at applicant's request cancel the agreement, provided the Company has not installed any facilities pursuant to the agreement, and provided that applicant reimburses Company for the costs and expenses it has incurred to date, as a non-refundable contribution in aid of construction. The applicant may then enter into a new Line Extension Agreement with the Company under this revision of Service Schedule 3.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Attachment 1
Schedule of Charges – Single Phase**

**APS Schedule 3, Line Extension Schedule of Charges
Single Phase Extension Costs**

Single Phase	OH Primary			UG Primary			OH Secondary		UG Secondary	
	Cost per Circuit Foot	Cost per Circuit Foot	Pull Box	Pad Mount Junction Cabinet	OH/UG Transition	Secondary Pole	OH/UG Secondary Transition	J Box		
	\$15.00	\$6.00	\$705	\$2,682	\$1,183	\$2,339	\$681		\$98.54	
OVERHEAD Single Phase	SES Size	Transformer Size, 120/240V	Service wire/Linear Ft							
	200 Amp	25kVA	\$3,657	\$4.89						
	200 Amp	50kVA	\$4,439	\$9.02						
	400 Amp	50kVA	\$4,439	\$9.02						
	600 Amp	75kVA	\$5,475	\$18.23						
	800 Amp	100kVA	\$7,699	\$18.23						
UNDERGROUND Single Phase	SES Size	Transformer Size, 120/240V	Service wire/Linear Ft							
	200 Amp	25kVA	\$3,764	\$3.65						
	200 Amp	50kVA	\$4,498	\$4.36						
	400 Amp	50kVA	\$4,498	\$4.36						
	600 Amp	75kVA	\$5,266	\$8.71						
	800 Amp	100kVA	\$6,270	\$16.68						

Notes:

- 1) Extension Facilities that do not qualify for the Schedule of Charges will be determined by a project specific cost estimate.
- 2) Cost per foot charges will be determined from termination at the source to the next device in the circuit. Linear footage for each circuit will be summed to determine charges.
- 3) Pad Mount switch gear is a single phase termination cabinet.
- 4) Primary OH cost per foot is for one phase and a neutral or two phases and no neutral, includes poles, framing, 2R conductor
- 5) Charges for services are based on linear feet from Transformer to SES regardless of the number of sets. J Boxes not included in footage cost.
- 6) All footages to be calculated by linear footages
- 7) Transition is from the OH line to the UG line, which includes wire down pole and accessories. Pole NOT included.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: January 31, 1954

A.C.C. No. XXXX
Canceling A.C.C. No. 5766
Service Schedule 3
Revision No. 12
Effective:XXXXXX



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Attachment 1
Schedule of Charges – Three Phase**

APS Schedule 3 Rev 12, Line Extension Schedule of Charges

Category	Overhead				Underground				Transformer Size 277/480 Volts	Service wdr/Linear Ft	Service wdr/Linear Ft
	Cost per Circuit Foot	Cost per Circuit Foot (3-750)	Each Installation	Each Installation	Cost per Circuit Foot	Cost per Circuit Foot (3-750)	Each Installation	Each Installation			
FEEDER Three Phase	\$31.34	\$24.03	\$3,575	\$4,806	\$6,154	\$4,806	\$7,050	\$6,470	\$32.35	\$7,050	\$8,987
OH/UG Transition											
PRIMARY Three Phase											
OH/UG Transition											
OVERHEAD Three Phase											
UNDERGROUND Three Phase											

- 1) Extension Facilities that do not qualify for the Schedule of Charges will be determined by a project specific cost estimate.
- 2) Cost per foot charges will be determined from termination at the source to the next device in the circuit. Linear footage for each circuit will be summed to determine charges.
- 3) For Multiple services out of one three phase transformer, the service cost will be determined by each SES and the transformer cost will be determined from the combined total of each SES size in amps, rounded up to the nearest SES size, limited to a combined maximum of 3,000 amps.
- 4) Overhead feeder cost per foot is for 3/0 and above, including 477 & 795 conductors.
- 5) UG Primary circuit footage is 3 cables making up 3 phase; 2 circuits is parallel conductors.
- 6) Charges for services are based on linear footage from transformer to SES regardless for the number of ses.
- 7) All footages to be calculated by linear footages.
- 8) Transition is from the OH line to the UG line; includes wire down pole and accessories. Pole NOT included.

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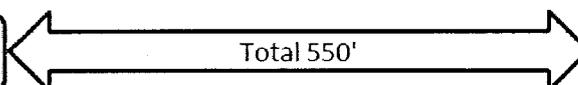


**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Examples to Section 2.1*
Free Footage Illustrative Example**

	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
Scenario 1	500	\$15.00	50	\$ 4.89	550	\$ 7,744.50	\$ -

APS \$7,744.50**

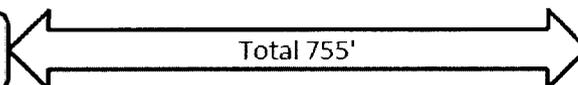


Total 550'

Customer Payment \$0

	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
Scenario 2	620	\$ 15.00	135	\$ 4.89	755	\$ 9,960.15	\$ -

APS \$9,960.15**

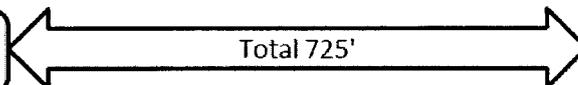


Total 755'

Customer Payment \$0

	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
Scenario 3	675	\$ 15.00	50	\$ 4.89	725	\$ 10,369.50	\$ 369.50

APS \$10,000.00**

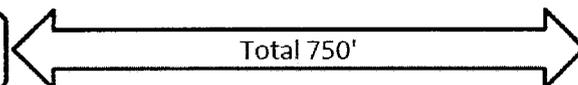


Total 725'

Customer Payment \$369.50

	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
Scenario 4	660	\$ 15.00	90	\$ 4.89	750	\$ 10,340.10	\$ 340.10

APS \$10,000.00**

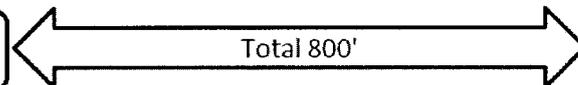


Total 750'

Customer Payment \$340.10

	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
Scenario 5	700	\$ 15.00	100	\$ 4.89	800	\$ 10,989.00	\$ 989.00

APS \$10,000.00**



Total 800'

Customer Payment \$989.00

*Scenarios do not reflect all components required for a complete project.
**APS portion does not include cost of transformer.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Attachment 3
Residential Subdivision Illustrative Example**

Scenario 1	
Number of Planned Homes	100
Estimated Construction Cost	\$ 350,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ -
Number of Homes Completed	100
Credited Allowance	\$ 350,000
Potential Remaining Allowance	\$ -

Scenario 2	
Number of Planned Homes	100
Estimated Construction Cost	\$ 400,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ 50,000
Number of Homes Completed	100
Credited Allowance	\$ 350,000
Potential Remaining Allowance	\$ -

Scenario 3	
Number of Planned Homes	100
Estimated Construction Cost	\$ 350,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ -
Number of Homes Completed	45
Credited Allowance	\$ 157,500
Potential Remaining Allowance	\$ 192,500

Scenario 4	
Number of Planned Homes	100
Estimated Construction Cost	\$ 400,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ 50,000
Number of Homes Completed	45
Credited Allowance	\$ 157,500
Potential Remaining Allowance	\$ 192,500

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION)
OF ARIZONA PUBLIC SERVICE)
COMPANY FOR APPROVAL OF VERSION)
12 OF SERVICE SCHEDULE 3 AND)
AGREEMENT CONCERNING SAME.)
_____)

DOCKET NO. E-01345A-11-0207
DECISION NO. _____
ORDER

Open Meeting
November 8 and 9, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company (“APS” or “Company”) is certificated to provide electric service as a public service corporation in the State of Arizona.

Introduction

2. On May 20, 2011, APS filed an application for approval of Version 12 of Service Schedule 3 (“Schedule 3”) and a Proposed Agreement on Issues Related to APS’ Service Schedule 3 (“Proposed Agreement”). The application requests that the Arizona Corporation Commission (“ACC”) approve the Proposed Agreement and Version 12 of Schedule 3, the latter to become effective upon the effective date of new base rates resulting from APS’ June 1, 2011 general rate application.¹

...

¹ In the matter of the application of Arizona Public Service Company for a hearing to determine the fair value of the utility property of the company for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rate schedules designed to develop such return. Docket No. E-01345A-11-0224 (June 1, 2011).

1 3. On July 26, 2011, APS filed an amended application with revisions to Schedule 3.
2 The first revision clarified a portion of Section 1.18 regarding the applicability of the Statement of
3 Charges to customers who require transformer capacity of 3,000 kVA or more. The other change
4 proposed to add the cost for the installation of three 167 kVA pole-top transformers to the
5 Schedule of Charges. That specialized installation was not previously reflected in the Schedule of
6 Charges and, according to APS, is most often used to provide service to large irrigation pumps.

7 **Background**

8 4. APS' Schedule 3 establishes the terms and conditions under which the Company
9 will extend, relocate, or upgrade facilities in order to provide service to a customer. In Decision
10 No. 69663 (June 28, 2007), the Commission found that a generic docket should be used to gather
11 information to evaluate the feasibility of hook-up fees for electric and gas utilities, but stated that
12 in "the interim, we find that, in view of the unprecedented growth in APS' service territory,
13 granting APS variances to Arizona Administrative Code ("A.A.C.") R14-2-207.C.1 and C.2, which
14 require a company to provide a specified footage of distribution line at no charge, is a necessary
15 and appropriate measure to shift the burden of rising distribution infrastructure costs away from
16 the current customer base to growth."

17 5. Decision No. 69663 required APS to file a revised line extension tariff to eliminate
18 any free footage or free allowance and to remove any requirement for an economic feasibility
19 analysis. APS filed its revised Schedule 3 (Version 10) on July 27, 2007, and then filed an
20 amended version of its proposed Schedule 3 on October 24, 2007. Staff recommended adoption of
21 the Company's proposed tariff filed on October 24, 2007, with the exception that Staff did not
22 agree with the Company's proposal to treat the payments as revenue, and Staff recommended that
23 the payments should be treated as Contributions in Aid of Construction ("CIAC"). In Decision
24 No.70185 (February 27, 2008), the Commission ordered APS to record all Schedule 3 fees as
25 CIAC.

26 6. In Decision No. 71448 (December 30, 2009), the Commission approved Version 11
27 of Schedule 3. The Settlement Agreement approved with that Decision maintained the
28 Commission's current policy that customers pay for line extensions but authorized APS to record

1 the proceeds from Schedule 3 as revenue during the period from January 1, 2010 through either the
2 earlier of December 31, 2012, or the conclusion of APS' next general rate case. Among new
3 features of Version 11 was the addition of a Schedule of Charges.

4 **Version 12 of Service Schedule 3**

5 7. Through Version 12 and the Proposed Agreement, APS seeks a compromise that
6 would restore more of a sharing of extension costs between new applicants and the Company (and
7 through rates, the Company's existing electric customers), while preserving the benefits of the
8 Settlement approved in Decision No. 71448. APS proposes that Version 12 become effective
9 concurrently with the effective date of new base electric rates resulting from the Company's
10 June 1, 2011 general rate case filing.

11 8. The Proposed Agreement, included with APS' application, was entered into by
12 APS, Arizona Association of Realtors ("AAR"), Home Builders Association of Central Arizona
13 ("HBACA"), Barbara Wyllie-Pecora, Residential Utility Consumer Office ("RUCO"), Arizona
14 Investment Council ("AIC") and International Brotherhood of Electrical Workers Local Unions
15 387 and 769. The signatories to the Proposed Agreement have agreed to Version 12 of
16 Schedule 3.

17 9. Major revisions to Schedule 3 included in Version 12 include:

- 18 • a 750-foot allowance for individual residential applicants up to a \$10,000
19 maximum (excluding the transformer) with a non-refundable payment by the
20 applicant for costs in excess of \$10,000 based on the Schedule of Charges set
21 forth in Schedule 3 (§§ 2.1.1, 2.1.2);
- 22 • a refundable advance² for equipment up to \$3,500 per lot (excepting street
23 lighting or custom features) for new residential subdivisions (§§2.2.4, 2.2.5);
- 24 • a \$1,000 per unit refundable advance for equipment for multiunit residential
25 housing (§2.5.5);
- 26 • the application of an economic feasibility study for general service applicants
27 (§3.1.5.1, §3.1.5.2);

28 ² Refundable advances are eligible to be paid back over a five-year period. Refunds of refundable advances are governed by Section 5 of Service Schedule 3, Version 12. Refunds are typically paid to applicants as subdivisions or multifamily housing are built out. Refunds are also paid to other applicants as additional customers connect to the extension facility paid for by the original applicant.

- 1 • clarification as to the use by applicants of third-party contractors for
2 construction (§7.15); and
- 3 • non-refundable construction costs, including costs that exceed the allowances
4 described above, will be recorded as non-refundable CIAC.

5 10. Because the proposed Version 12 of Schedule 3 is similar to the version of
6 Schedule 3 in effect prior to July 1, 2007 (Version 8), the special “carve outs” that exist in the
7 current version of Schedule 3 (Version 11) would be eliminated and be replaced with one uniform
8 policy. Currently existing special “carve outs” exempt Residential Homes on Native American
9 Land (Version 11, §5.17.1) and Individual Residence Extension for Residences Owned by Limited
10 Income Owners (Version 11, §5.17.2) from application of Version 11 of Schedule 3. Extensions
11 for these customers operated according to the provisions of Schedule 3 that was in effect April 1,
12 2005 through June 30, 2007.

13 *Impact of Version 12 on Residential Ratepayers*

14 11. Incorporating these proposed changes into Schedule 3 will require an increase to
15 APS’ annual revenue requirement as all customers will share in the costs of extending facilities to
16 new customers. Although it is difficult to predict customer growth, APS estimates extending
17 facilities to 25,000 customers per year over the next three years. Given this assumption, APS
18 estimates that the impacts of Version 12 on the average residential ratepayer would total
19 approximately \$0.76 per month over the next three years.

20 *Extension of Refund Period*

21 12. In its application, and in the Proposed Agreement, APS is requesting approval to
22 extend the refund period for refundable advances made during 2006, 2007, or 2008, for an
23 additional three years beyond the term set forth in the individual line extension agreements.
24 Alternatively, if no APS facilities have actually been constructed to serve an applicant making a
25 refundable advance in 2006, 2007 or 2008, the applicant may elect to cancel its line extension
26 agreement with APS and receive a refund of the advance less any costs actually incurred by APS.
27 Such applicant would thereafter be free to reapply for service under the terms of Schedule 3 then
28 in effect.

1 13. While Staff is not making a recommendation regarding the Proposed Agreement,
2 Staff recommends that APS' request to extend the refund period, as presented in the application,
3 be approved by the Commission. Extending the refund period for this set of customers is beneficial
4 to both APS and those customers. Given the economic situation of the past few years,
5 construction, in general, has slowed. As a result, most of these applicants have not received
6 refunds of their advances. With the refund period for these advances coming to an end soon, APS'
7 proposal would give these customers an additional three years from the term set forth in their
8 individual agreements to receive a refund. Approving this extension would have no negative
9 impact on other APS customers. There is a total balance of approximately \$97 million available
10 for refunds for applicants that made a refundable advance in 2006, 2007 or 2008. If this money is
11 not refunded to the applicants, it will be recorded as CIAC, incurring tax liability for APS. It is in
12 the best interest for both the Company and the relevant applicants for the Commission to extend
13 the refund period as requested.

14 ***Economic Feasibility Analysis***

15 14. Version 12 of Schedule 3 includes Section 3.1.5 regarding the use of economic
16 feasibility analyses for general service applicants. While Staff is in favor of economic feasibility
17 analyses for general service applicants, Section 3.1.5 requires clarification concerning the process
18 used to determine economic feasibility and the potential for refunds for this customer class.

19 15. Staff proposes that the term "distribution service" in Sections 1.5, 3.1.5.1 and
20 3.1.5.2 be replaced with "delivery service." The purpose of this change is to provide commonality
21 of language between Schedule 3 and general service retail rate schedules.

22 16. Further, Staff proposes that the currently proposed Section 3.1.5.3 be changed to
23 Section 3.1.5.4 and that the following language be included as Section 3.1.5.3:

24 "3.1.5.3. Applicants whose Extension Facilities are installed on the basis of an Economic
25 Feasibility analysis which determines that the estimated installation cost of the
26 Extension Facilities is not supported by the applicant's estimated delivery service
27 revenue may be required to advance sufficient funds to make installation of the
28 Extension Facilities economically feasible. Company reserves the right to collect a full
advance from the applicant based on the project scope, location, applicant's financial
condition or organizational structure of the applicant.

...

1 Applicants whose Economic Feasibility analysis results in the requirement for a
2 payment in advance of construction may be eligible for a refund of such advance over
3 the term of the Line Extension Agreement's five-year period if the actual annual
4 delivery service revenue for the applicant's project exceeds the estimated delivery
5 service revenue used in the Economic Feasibility analysis.

6 The Economic Feasibility analysis for the Extension Facilities will be reviewed at the
7 end of the third and fifth year of the Line Extension Agreement based on actual
8 delivery service revenue for the preceding year and to the degree that actual revenue
9 supports the Extension Facilities cost, all or a portion of the applicant's construction
10 advance may be refunded. In no case will refunds exceed the unrefunded balance of the
11 applicant's advance.

12 Any unrefunded balance remaining five years from the date of the Company's executed
13 Line Extension Agreement shall become a non-refundable contribution in aid of
14 construction."

15 **Recommendations**

16 17. Staff has recommended that the Commission approve Version 12 of Service
17 Schedule 3, as discussed herein.

18 18. Staff has recommended that the term "distribution service" in Sections 1.5, 3.1.5.1,
19 and 3.1.5.2 be replaced with "delivery service."

20 19. Staff has recommended that the currently proposed Section 3.1.5.3 be changed to
21 Section 3.1.5.4 and that the following language be included as Section 3.1.5.3:

22 "3.1.5.3 Applicants whose Extension Facilities are installed on the basis of an Economic
23 Feasibility analysis which determines that the estimated installation cost of the
24 Extension Facilities is not supported by the applicant's estimated delivery service
25 revenue may be required to advance sufficient funds to make installation of the
26 Extension Facilities economically feasible. Company reserves the right to collect a full
27 advance from the applicant based on the project scope, location, applicant's financial
28 condition or organizational structure of the applicant.

Applicants whose Economic Feasibility analysis results in the requirement for a
payment in advance of construction may be eligible for a refund of such advance over
the term of the Line Extension Agreement's five-year period if the actual annual
delivery service revenue for the applicant's project exceeds the estimated delivery
service revenue used in the Economic Feasibility analysis.

The Economic Feasibility analysis for the Extension Facilities will be reviewed at the
end of the third and fifth year of the Line Extension Agreement based on actual
delivery service revenue for the preceding year and to the degree that actual revenue
supports the Extension Facilities cost, all or a portion of the applicant's construction

1 advance may be refunded. In no case will refunds exceed the unrefunded balance of the
2 applicant's advance.

3 Any unrefunded balance remaining five years from the date of the Company's
4 executed Line Extension Agreement shall become a non-refundable contribution in aid
of construction."

5 20. Staff has recommended that the Commission approve APS' request to extend the
6 refund period for refundable advances made during 2006, 2007, or 2008, for an additional three
7 years beyond the term set forth in the individual line extension agreements or, alternatively, if no
8 APS facilities have actually been constructed to serve an applicant making a refundable advance in
9 2006, 2007 or 2008, allow the applicant to cancel its line extension agreement with APS, receive a
10 refund of the advance less any costs actually incurred by APS, and reapply for service under the
11 terms of Schedule 3 then in effect if the applicant so chooses.

12 21. Staff has recommended that Version 12 of Service Schedule 3 become effective
13 concurrently with the effective date of new base electric rates resulting from the Company's
14 June 1, 2011 general rate case filing.

15 22. In addition, Staff has recommended that APS file in Docket Control Version 12 of
16 Service Schedule 3 consistent with the Decision in this case within 15 days of the effective date of
17 the Decision in APS' pending general rate case (Docket No. E-01345A-11-0224).

18 CONCLUSIONS OF LAW

19 1. Arizona Public Service Company is an Arizona public service corporation within
20 the meaning of Article XV, Section 2, of the Arizona Constitution.

21 2. The Commission has jurisdiction over APS and over the subject matter of the
22 Application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated
24 September 30, 2011, concludes that it is in the public interest to approve the proposed Version 12
25 of Service Schedule 3, as discussed herein.

26 ORDER

27 IT IS THEREFORE ORDERED that Version 12 of Service Schedule 3 be and hereby is
28 approved, as discussed herein and attached hereto.

1 IT IS FURTHER ORDERED that the term "distribution service" in Sections 1.5, 3.1.5.1,
2 and 3.1.5.2 be replaced with "delivery service."

3 IT IS FURTHER ORDERED that the currently proposed Section 3.1.5.3 be changed to
4 Section 3.1.5.4 and that the following language be included as Section 3.1.5.3:

5 "3.1.5.3 Applicants whose Extension Facilities are installed on the basis of an Economic
6 Feasibility analysis which determines that the estimated installation cost of the
7 Extension Facilities is not supported by the applicant's estimated delivery service
8 revenue may be required to advance sufficient funds to make installation of the
9 Extension Facilities economically feasible. Company reserves the right to collect a full
10 advance from the applicant based on the project scope, location, applicant's financial
11 condition or organizational structure of the applicant.

12 Applicants whose Economic Feasibility analysis results in the requirement for a
13 payment in advance of construction may be eligible for a refund of such advance over
14 the term of the Line Extension Agreement's five-year period if the actual annual
15 delivery service revenue for the applicant's project exceeds the estimated delivery
16 service revenue used in the Economic Feasibility analysis.

17 The Economic Feasibility analysis for the Extension Facilities will be reviewed at the
18 end of the third and fifth year of the Line Extension Agreement based on actual delivery
19 service revenue for the preceding year and to the degree that actual revenue supports the
20 Extension Facilities cost, all or a portion of the applicant's construction advance may be
21 refunded. In no case will refunds exceed the unrefunded balance of the applicant's
22 advance.

23 Any unrefunded balance remaining five years from the date of the Company's executed
24 Line Extension Agreement shall become a non-refundable contribution in aid of
25 construction."

26 IT IS FURTHER ORDERED that Arizona Public Service Company's request regarding
27 refundable advances made during 2006, 2007, or 2008, as discussed herein, is approved.

28 IT IS FURTHER ORDERED that Version 12 of Service Schedule 3 shall become effective
concurrently with the effective date of new base electric rates resulting from Arizona Public
Service Company's June 1, 2011 general rate case filing.

25 ...
26 ...
27 ...
28 ...

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall file in Docket
 2 Control Version 12 of Service Schedule 3 consistent with the Decision in this case within 15 days
 3 of the effective date of the Decision in APS' pending general rate case (Docket No. E-01345A-11-
 4 0224).

5 IT IS FURTHER ORDERED that this Decision become effective immediately.

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN	COMMISSIONER
COMMISSIONER	COMMISSIONER
	COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
 Executive Director of the Arizona Corporation
 Commission, have hereunto, set my hand and caused the
 official seal of this Commission to be affixed at the
 Capitol, in the City of Phoenix, this
 _____ day of _____, 2011.

 ERNEST G. JOHNSON
 EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:LAF:lhms\MAS

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-11-0207

3 Ms. Meghan H. Grabel
4 Mr. Thomas L. Mumaw
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9 Mr. Steven M. Olea
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**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

Provision of electric service from Arizona Public Service Company (Company) may require construction of new facilities or the relocation and/or upgrade of existing facilities. Costs for construction depend on the applicant's location, scope of project, load size, and load characteristics. Costs include, but are not limited to, project management, coordination, engineering, design, surveys, permits, construction inspection, and support services. This schedule establishes the terms and conditions under which Company will extend, relocate, and/or upgrade its facilities in order to provide service.

All facility installations and/or upgrades shall be made in accordance with good utility construction practices, as determined by Company, and are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension as determined by Company.

The following provisions govern the installation of overhead and underground electric distribution facilities to applicants whose requirements are deemed by Company to be usual and reasonable in nature.

1. DEFINITIONS

- 1.1. **APS Approved Electrical Distribution Contractor** means an electrical contractor who is licensed in the State of Arizona and properly qualified to install electric distribution facilities in accordance with Company standards and good utility construction practices as determined by Company.
- 1.2. **Conduit Only Design** means the conduit layout design for the installation of underground Extension Facilities that will be required when the Extension Facilities are to be installed at a later date.
- 1.3. **Corporate Business and Industrial Development** means a tract of land which has been divided into contiguous lots in which a developer offers improved lots for sale and the purchaser of the lot is responsible for construction of buildings for commercial and/or industrial use.
- 1.4. **Doubtful Permanency** means a customer who in the opinion of the Company is neither Permanent nor Temporary. Service which, in the opinion of the Company, is for operations of a speculative character is considered Doubtfully Permanent.
- 1.5. **Economic Feasibility** means a determination by Company that the estimated annual revenue based on Company's then currently effective rate for ~~distribution~~ delivery service (excluding taxes, regulatory assessment and other adjustments) less the cost of service provides an adequate rate of return on the investment made by Company to serve the applicant.
- 1.6. **Execution Date** means the date Company signs the agreement after the applicant has signed the agreement and money has been collected by company.
- 1.7. **Extension Facilities** means the electrical facilities, including conductors, cables, transformers, and related equipment installed solely to serve an individual applicant, or groups of applicants. For example, the Extension Facilities to serve a Residential Subdivision would consist of the line extension required to connect the subdivision to Company's existing system, as well as Company's electrical facilities constructed within the subdivision which would include primary and service lines, and transformers.
- 1.8. **High Rise and/or Mixed-Use Development** means a building built with four or more floors (usually using elevators for accessing floors) or any mixed use development that may consist of either residential or non-residential use or both, such as a building where the first level is for commercial purposes and the upper floors are residential.
- 1.9. **Irrigation** means water pumping service.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: January 31, 1954

A.C.C. No. XXXX
Canceling A.C.C. No. 5766
Service Schedule 3
Revision No. 12
Effective:XXXXXX



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

- ~~1.9.1.10.~~ **Line Extension Agreement** means the contractual agreement between Company and applicant that defines applicant payment requirements, terms of refund, scope of project, estimated costs, and construction responsibilities for Company and the applicant. Line Extension Agreements may be assigned to applicants successors in interest with Company approval, which approval shall not be unreasonably withheld.
- 1.11. **Master Planned Community Development** means a development that consists of a number of separately subdivided parcels for different Residential Subdivisions. The development may also incorporate a variety of uses including multi-family, non-residential, and public use facilities.
- 1.12. **Permanent** means a customer who is a tenant or owner of a service location who applies for and receives electric service, which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature. Permanency at the service location may be established by such things as city/county/state permits, a permanent water system, an approved sewer/septic system, or other permanent structures.
- 1.13. **Project-Specific Cost Estimate** means cost estimates that are developed recognizing the unique characteristics of large or special projects to which the Schedule of Charges is not applicable. A Project-Specific Cost Estimate provided to an applicant is valid for a period of up to six (6) months from the date the estimate is provided to the applicant.
- 1.14. **Residential "Lot Sale" Development** means a tract of land that has been divided into four (4) or more contiguous lots in which a developer offers improved lots for sale and the purchaser of the lot is responsible for construction of a residential home.
- 1.15. **Residential Multi-Family Development** means a development consisting of apartments, condominiums, or townhouses.
- 1.16. **Residential Single Family** means a house, or a manufactured or mobile home Permanently affixed to a lot or site.
- 1.17. **Residential Subdivision** means a tract of land which has been divided into four (4) or more contiguous lots with an average size of one acre or less in which the developer is responsible for the construction of residential homes or permanent manufactured or mobile home sites.
- 1.18. **Schedule of Charges** means the list of charges that is used to determine the applicant's cost responsibility for the Extension Facilities. An applicant requesting an extension will be provided a sketch showing the Extension Facilities and an itemized cost quote based on the Schedule of Charges or other applicable details. When the Schedule of Charges is not applicable, charges for Extension Facilities shall be determined by the Company based on Project-Specific Cost Estimates. The Schedule of Charges is attached to this Service Schedule as Attachment 1. The Schedule of Charges will be reviewed and updated from time to time by Company with the Arizona Corporation Commission.

The Schedule of Charges is not applicable for the following:

- 1.18.1. Extension Facilities requiring modifications, removal, relocations or conversions of existing facilities in conjunction with a new extension or existing customer requested upgrade. The removal, replacement, conversion, and new Extension Facilities charges will be determined by a combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project and may include residual value costs as computed in accordance with the method described in A.R.S 40-347.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

- 1.18.2. Extension Facilities required for modifications, relocations or conversions of existing facilities not in conjunction with a new extension or existing customer upgrade.
- 1.18.3. Extension Facilities for General Service applicants with estimated demand loads of three (3) megawatts or greater, or that require in aggregate 3,000 kVA of transformer capacity or greater.
- 1.18.4. Extension Facilities that require three phase transformer installations greater than the sizes noted in the Schedule of Charges.
- 1.18.5. Extension Facilities required for High Rise and/or Mixed-Use Developments or Temporary service.
- 1.18.6. Extension Facilities involving spot networks, vault installations, primary metering, or specialized or additional equipment for enhanced reliability.
- 1.19. **Temporary** means premises or enterprises which are temporary in character, or where it is known in advance that the Extension Facilities will be of limited duration.
2. RESIDENTIAL
- 2.1. SINGLE FAMILY HOMES
- Extension Facilities will be installed to new Permanent residential applicants or groups of new Permanent residential applicants under the following conditions:
- 2.1.1. Free footage basis extensions are made under the following conditions:
- 2.1.1.1. The total footage of the Extension Facilities (primary, secondary, service) does not exceed 750 feet per applicant, or \$10,000; or
- 2.1.1.2. The total cost of the Extension Facilities as determined by Company is less than \$10,000 per applicant.
- 2.1.2. All additional construction costs over \$10,000 per applicant will be paid by applicant(s) as a non-refundable contribution in aid of construction.
- 2.1.3. Applicants who combine to form a group may also combine their allowance as specified in Sections 2.1.1.1 and 2.1.1.2.
- 2.1.4. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project which shall exclude the cost of the transformer(s). Construction costs in excess of the allowances as described in 2.1.1.1 and 2.1.1.2 shall be paid by the applicant prior to the Company installing facilities. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 2.1.5. The applicant(s) signs a Line Extension Agreement.
- 2.1.6. The site plan has been approved and recorded in the county having jurisdiction.
- 2.1.7. The footage allowance of 750 feet and cap of \$10,000 shall be reviewed from time to time with the Arizona Corporation Commission.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

2.1.8. Examples of the application of 2.1.1 and 2.1.2 can be found in Attachment 2 – Free Footage Illustrative Example.

2.2. RESIDENTIAL SUBDIVISION DEVELOPMENTS

Extension Facilities will be installed to Residential Subdivision developments of four (4) or more homes in advance of application for service by Permanent customers under the following conditions:

2.2.1. The applicant(s) signs a Line Extension Agreement.

2.2.2. The subdivision development plat has been approved and recorded in the county having jurisdiction.

2.2.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project.

2.2.4. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of construction by the Company. Payment is due at the time the Line Extension Agreement is signed by the applicant.

2.2.4.1. A portion of the project cost shall be designated as a refundable advance and will be eligible for refund based on the “per lot” allowance provisions of Section 2.2.5 and in accordance with Section 5.

2.2.4.2. In lieu of a cash payment for the refundable advance amount, the Company shall reserve the right to accept an alternative financial instrument, such as a Letter of Credit or Surety Bond based on the financial condition, or organizational structure of developer.

2.2.4.3. That portion of the project cost in excess of the refundable advance shall be non-refundable in addition to any other non-standard construction charges such as street lights.

2.2.5. The refundable advance will be eligible for refund based on a “per lot” allowance of \$3,500 for each Permanently connected residential customer over a five (5) year period. Refunds of refundable advances shall be governed by Section 5. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement with the applicant. A review of the project will be conducted annually to determine subdivision buildout, and if the qualifications have been met for any refunds.

2.2.6. Examples of the application of 2.2.4 can be found in Attachment 3 – Residential Subdivision Illustrative Example.

2.3. RESIDENTIAL “LOT SALE” DEVELOPMENTS

Extension Facilities will be installed to residential “lot sale” developments in advance of application for service by Permanent applicants under the following conditions:

2.3.1. The applicant(s) signs a Line Extension Agreement.

2.3.2. The development plat has been approved and recorded in the county having jurisdiction.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

- 2.3.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 2.3.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.
- 2.3.5. Company will provide a "Conduit Only Design" provided applicant makes a payment in the amount equal to the estimated cost of the preparation of the design, in addition to the costs for any materials, field survey and inspections that may be required.
- 2.3.6. Extension Facilities will be installed to individual applicants in accordance with provisions listed in Section 2.1.

2.4. MASTER PLANNED COMMUNITY DEVELOPMENTS

Extension Facilities will be installed to Master Planned Community Developments in advance of application for service by Permanent applicants under the following conditions:

- 2.4.1. The applicant(s) signs a Line Extension Agreement.
- 2.4.2. The site development plan has been approved and recorded in the county having jurisdiction.
- 2.4.3. The cost of extending service to applicant will be determined by a Project-Specific Cost Estimate based on the scope of the project. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 2.4.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.
- 2.4.5. Extension Facilities will be installed to each subdivided tract within the planned development in accordance with the applicable sections of this Service Schedule 3.

2.5. RESIDENTIAL MULTI-FAMILY DEVELOPMENTS

Extension Facilities will be installed to Residential Multi-Family Developments in advance of application for service by Permanent customers under the following conditions:

- 2.5.1. The applicant signs a Line Extension Agreement.
- 2.5.2. The site development plan has been approved and recorded in the county having jurisdiction.
- 2.5.3. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost estimate depending on the scope of the project.



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- 2.5.4. A signed Line Extension Agreement and advance payment of all project costs are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 2.5.4.1. A portion of the project cost shall be designated as a refundable advance and will be eligible for refund based on the "per unit" refundable allowance provisions of Section 2.5.4 and in accordance with Section 5.
- 2.5.4.2. In lieu of a cash payment for the refundable advance amount, the Company shall reserve the right to accept an alternative financial instrument, such as a Letter of Credit or Surety Bond based on the financial condition, or organizational structure of applicant.
- 2.5.4.3. That portion of the project cost in excess of the refundable advance shall be non-refundable in addition to any other non-standard construction charges such as street lights etc.
- 2.5.5. The refundable advance will be eligible for refund based on a "per unit" allowance of \$1,000 for each new meter installed over a five (5) year period. Refunds of refundable advances shall be governed by Section 5. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement. A review of the project will be conducted annually to determine buildout and if the qualifications have been met for any refunds.

3. GENERAL SERVICE INCLUDING IRRIGATION

3.1. GENERAL PROVISIONS

- 3.1.1. Extension Facilities that do not meet the requirements under Section 2 Residential will be considered General Service and will be installed to all applicants who meet the qualifications under Sections 3 and 4 of this Service Schedule 3.
- 3.1.2. The project costs for General Service Extension Facilities installations will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant. The site development plan for the project for which the Line Extension has been requested must be approved and recorded in the county having jurisdiction prior to signing the Line Extension Agreement.
- 3.1.3. The cost for Extension Facilities installed for applicants with estimated demand loads of less than three (3) megawatts or less than 3,000 kVA of transformer capacity, will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate depending on the scope of the project. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 3.1.4. The cost for Extension Facilities installed for applicants with projected loads of three (3) megawatts or greater, requiring transformer capacity of 3,000 kVA and greater, special requests involving primary metering, or specialized/additional equipment for enhanced reliability shall be determined by the Company based on Project-Specific Cost Estimates. A signed Line Extension Agreement and any required payment as determined by an Economic Feasibility analysis are required prior to the start of



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Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

3.1.5. Economic Feasibility analysis for General Service applicants:

3.1.5.1. Economic Feasibility for projects where the applicant's Extension Facilities cost (excluding non-refundable applicant contributions such as street lights and other non-standard construction charges) is \$25,000 or less shall be established where the estimated annual revenue based on Company's then currently effective rate for ~~distribution-delivery~~ service (excluding taxes, regulatory assessment and other adjustments) multiplied by six (6) is equal to or greater than the cost of the applicant's Extension Facilities.

3.1.5.2. Economic Feasibility for projects where the applicant's Extension Facilities cost (excluding non-refundable applicant contributions such as street lights and other non-standard construction charges) is greater than \$25,000 shall be established where the estimated annual revenue based on Company's then currently effective rate for ~~distribution-delivery~~ service (excluding taxes, regulatory assessment and other adjustments), less the cost of service, provides an adequate rate of return on the investment made by Company to serve the applicant.

3.1.5.3. Applicants whose Extension Facilities are installed on the basis of an Economic Feasibility analysis which determines that the estimated installation cost of the Extension Facilities is not supported by the applicant's estimated delivery service revenue may be required to advance sufficient funds to make installation of the Extension Facilities economically feasible. Company reserves the right to collect a full advance from the applicant based on the project scope, location, applicant's financial condition or organizational structure of the applicant.

Applicants whose Economic Feasibility analysis results in the requirement for a payment in advance of construction may be eligible for a refund of such advance over the term of the Line Extension Agreement's five-year period if the actual annual delivery service revenue for the applicant's project exceeds the estimated delivery service revenue used in the Economic Feasibility analysis.

The Economic Feasibility analysis for the Extension Facilities will be reviewed at the end of the third and fifth year of the Line Extension Agreement based on actual delivery service revenue for the preceding year and to the degree that actual revenue supports the Extension Facilities cost, all or a portion of the applicant's construction advance may be refunded. In no case will refunds exceed the unrefunded balance of the applicant's advance.

Any unrefunded balance remaining five years from the date of the Company's executed Line Extension Agreement shall become a non-refundable contribution in aid of construction.

3.1.5.3.3.1.5.4. _____ Company may include a capacity factor component, as determined by Company, to the Economic Feasibility Analysis for applicants that request excess or redundant system capacity.

3.2. HIGH RISE AND/OR MIXED-USE DEVELOPMENTS

Extension Facilities will be installed to High Rise and/or Mixed-Use Developments in advance of application for service by Permanent applicants under the following conditions:

3.2.1. The residential units are privately owned and either individually metered or master metered in

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accordance with Section 7.10.

- 3.2.2. Extension Facilities will be installed to designated points of delivery and it is the applicant's responsibility to provide and maintain the electrical facilities within the building.
- 3.2.3. The applicant signs a Line Extension Agreement.
- 3.2.4. The site development plan has been approved and recorded in the county or city having jurisdiction.
- 3.2.5. The charges for Extension Facilities will be determined based on a Project-Specific Cost Estimate, and shall be paid by the applicant prior to Company installing facilities.
- 3.2.6. Prior to the ordering of specialized materials or equipment required to provide service applicant will be required to make an advance payment to the Company for the estimated cost of the material or equipment in accordance with Section 7.13 of this Service Schedule 3.
- 3.2.7. A signed Line Extension Agreement and any required advance payment are required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

3.3. CORPORATE BUSINESS & INDUSTRIAL PARK DEVELOPMENTS

Extension Facilities will be made to Corporate Business and Industrial Park Developments in advance of application for service by Permanent customer under the following conditions:

- 3.3.1. The applicant signs a Line Extension Agreement.
- 3.3.2. The site development plan has been approved and recorded in the county or city having jurisdiction.
- 3.3.3. The cost of installing Extension Facilities will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a project-specific cost estimate depending on the scope of the project.
- 3.3.4. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.
- 3.3.5. Payment of all project costs is required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.
- 3.3.6. Company will provide a "Conduit Only Design" provided applicant makes a payment in the amount equal to the estimated cost of the preparation of the design, in addition to the costs for any materials, field survey and inspections that may be required.
- 3.3.7. Extension Facilities will be installed to individual lots (at the request of an applicant) within the Corporate Business and Industrial Park Development in accordance with the applicable sections of this Service Schedule 3.

4. OTHER CONDITIONS

4.1. TEMPORARY APPLICANTS

- 4.1.1. Where Temporary Extension Facilities are required to provide service to the applicant, the applicant

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shall make a non-refundable payment in advance of installation or construction equal to the cost of installing and removing of the facilities required in providing Temporary service, less the salvage value of such facilities. Charges will be determined by Company based on a Project-Specific Cost Estimate. Payment is due at the time the Line Extension Agreement is signed by the applicant.

- 4.1.2. When use of the Temporary service is discontinued or service is terminated, Company may dismantle and remove its facilities, and the materials and equipment provided by Company will remain Company property.

4.2. DOUBTFUL PERMANENCY CUSTOMERS

When, in the opinion of Company, permanency of the applicant's residence or operation is doubtful, the applicant will be required to pay the total cost of the Extension Facilities. The cost of extending service to applicant will be determined in accordance with the Schedule of Charges or combination of Schedule of Charges and a Project-Specific Cost Estimate. The applicant shall pay the total project estimated cost as a non-refundable contribution in aid of construction in addition to costs for street lights and other non-standard construction charges.

- 4.2.1. Payment of all project costs is required prior to the start of Company construction. Payment is due at the time the Line Extension Agreement is signed by the applicant.

4.3. MUNICIPALITIES AND OTHER GOVERNMENTAL AGENCIES

Relocation of existing facilities and/or Extension Facility installations required to serve loads of municipalities or other governmental agencies may be constructed prior to the receipt of a signed Line Extension Agreement. However, this does not relieve the municipality or governmental agency of the responsibility for payment of the Extension Facilities costs in accordance with the applicable sections of this Service Schedule 3.

The effective date for projects enacted under this provision for purposes of Section 5 shall be the date the municipality or agency provided written approval to the Company to proceed with construction.

5. REFUNDS

5.1. GENERAL REFUND CONDITIONS

- 5.1.1. No refund will be made to any applicant for an amount more than the un-refunded balance of the applicant's refundable advance.
- 5.1.2. Company reserves the right to withhold refunds to any applicant who is delinquent on any account, agreement, or invoice, including the payment of electric service, and may apply these refund amounts to past due bills.
- 5.1.3. The refund eligibility period shall be five (5) years from the date Company executes the Line Extension Agreement with the applicant. Any un-refunded advance balance shall become a non-refundable contribution in aid of construction five (5) years from the Execution Date of the agreement.
- 5.1.4. Refunds will be mailed to the applicant of record noted on the executed agreement no later than 60-days from the annual review date.



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6. UNDERGROUND CONSTRUCTION

6.1. GENERAL UNDERGROUND CONSTRUCTION POLICY

With respect to all underground installations pursuant to a Line Extension Agreement, Company will install underground facilities only if all of the following conditions are met:

- 6.1.1. The Extension Facilities meet all requirements as specified in Sections 1, 2, 3, or 4 of this Service Schedule 3.
- 6.1.2. The applicant provides all earth-work including, but not limited to, trenching, boring or punching, backfill, compaction, and surface restoration in accordance with Company specifications, and signs a trench agreement.
- 6.1.3. The applicant provides installation of equipment pads, pull-boxes, manholes, conduits, and appurtenances as required and in accordance with Company specifications.
- 6.1.4. In lieu of applicant providing these services and equipment, the applicant may pay Company to provide these services and equipment as a non-refundable contribution in aid of construction. The payment will equal the cost of such work plus any administrative or inspection fees incurred by Company. Applicants electing this option will be required to sign an agreement indemnifying and holding Company harmless against claims, liabilities, losses or damage (Claims) asserted by a person or entity other than Company's contractors, which Claims arise out of the trenching and conduit placement, provided the Claims are not attributable to the Company's gross negligence or intentional misconduct.

7. GENERAL CONDITIONS

7.1. VOLTAGE

- 7.1.1. All Extension Facility installations will be designed and constructed for operation at standard voltages used by Company in the area in which the Extension Facilities are located. At the request of applicant, Company may, at its option, deliver service for special applications of non-standard or higher voltages with prior approval from Company's Engineering Department. Applicant will be required to pay the costs of any required studies as a non-refundable payment.
- 7.1.2. Extension Facilities installed at higher voltages will be limited to serving an applicant operating as one integral unit under the same name and as part of the same business on adjacent and contiguous sites not separated by private property owned by another party or separated by public property or public right-of-way.

7.2. POINT OF DELIVERY

- 7.2.1. For overhead service, the point of delivery shall be where Company's service conductors terminate at the applicant's weatherhead or bus riser.
- 7.2.2. For underground service, the point of delivery shall be where Company's service conductors terminate in the applicant's or development's service equipment. The applicant shall furnish, install and maintain any risers, raceways and/or termination cabinets necessary for the installation of Company's underground service conductors.

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7.2.3. For special applications where service is provided at voltages higher than the standard voltages specified in the APS Electric Service Requirements Manual, Company and applicant shall mutually agree upon the designated point of delivery.

7.3. EASEMENTS

All suitable easements or rights-of-way required by Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the applicant or other property required for the Extension Facilities, shall be provided to the Company in Company's name by the applicant without cost to or condemnation by Company prior to commencement of Company's construction of Extension Facilities. All easements or rights-of-way obtained on behalf of Company shall contain such terms and conditions as are acceptable to Company.

7.4. GRADE MODIFICATIONS

If after construction of Extension Facilities, the final grade of the property established by the applicant is changed in such a way as to require relocation of Company facilities, or the applicant's actions or those of his contractor results in damage to such facilities, the cost of replacement, relocation and/or resulting repairs shall be borne by applicant as a non-refundable contribution in aid of construction.

7.5. OWNERSHIP

Except for applicant owned facilities, all Extension Facilities installed in accordance with this Service Schedule 3 will be owned, operated, and maintained by Company.

7.6. MEASUREMENT AND LOCATION

7.6.1. Measurement must be along the proposed route of construction.

7.6.2. Construction will be on public streets, roadways, highways, or easements acceptable to Company.

7.6.3. The Extension Facilities must be a branch from, the continuation of, or an addition to, Company's existing distribution facilities.

7.7. UNUSUAL CIRCUMSTANCES

In unusual circumstances as determined by Company, when the application and provisions of this Service Schedule 3 appear impractical, or in case of extension of lines to be operated on voltages other than specified in the applicable rate schedule, or when applicant's estimated demand load will exceed 3,000 kW, Company may make a special study of the conditions to determine the basis on which service may be provided. Additionally, Company may require special contract arrangements as provided for in the Company's Service Schedule 1, Terms and Conditions for Standard Offer and Direct Access Service.

7.8. ABNORMAL LOADS

Company, at its option, may install Extension Facilities to serve certain abnormal loads (such as: transformer type welders, x-ray machines, wind machines, excess capacity for test purposes and loads of unusual characteristics) and the costs of any distribution system modifications or enhancements required to serve the applicant will be included in the payment described in previous sections of this Service Schedule 3.

7.9. UPGRADES, RELOCATIONS AND/OR CONVERSIONS

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Canceling A.C.C. No. 5766
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7.9.1. Company will upgrade, relocate or convert from overhead to underground its facilities for the applicant's convenience or aesthetics. The cost of upgrades, relocations or conversions not in conjunction with a new extension or existing customer upgrade will be determined by a Project-Specific Cost Estimate and may include residual value costs as computed in accordance with the method described in A.R.S Section 40-347.

7.9.2. When the relocation of Company facilities involves "prior rights" conditions, the applicant will be required to make payment equal to the estimated cost of relocation as determined by a Project-Specific Cost Estimate. In addition applicant shall be required to provide similar "rights" for the relocated facilities.

7.10. MASTER METERING

7.10.1. Mobile Home Parks

Company shall refuse service to all new construction and/or expansion of existing Permanent residential mobile home parks unless the construction and/or expansion are individually metered by Company.

7.10.2. Residential Apartment Complexes, Condominiums

Company shall refuse service to all new construction of apartment complexes and condominiums which are master metered unless the builder or developer can demonstrate that the installation meets the provisions of R14-2-205 of the Arizona Corporation Commission's Rules and Regulations or the requirements discussed in 7.10.3 below. This section is not applicable to Senior Care/Nursing Centers registered with the State of Arizona with independent living units which provide packaged services such as housing, food, and nursing care.

7.10.3. Multi-Unit High Rise Residential Developments

7.10.3.1. Company will allow master metering for high rise residential units where the residential units are privately owned provided the building will be served by a centralized heating, ventilation and/or air conditioning system, and each residential unit shall be individually sub-metered and responsible for energy consumption of that unit.

7.10.3.2. Sub-metering shall be provided and maintained by the builder or homeowners association.

7.10.3.3. Responsibility and methodology for determining each unit's energy billing shall be clearly specified in the original bylaws of the homeowners association, a copy of which must be provided to Company prior to Company installing Extension Facilities.

7.10.3.4. Company will convert its facilities from a master metered system to a Permanent individually metered system at the applicant's request provided the applicant makes a non-refundable contribution in aid of construction equal to the residual value plus the removal costs less salvage of the master meter facilities to be removed. The new facilities to serve the individual meters will be extended on the basis specified in Section 1 of this Service Schedule 3. Applicant is responsible for all costs related to the installation of new service entrance equipment.

7.11. CHANGE IN APPLICANT'S SERVICE REQUIREMENTS

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Company will rebuild, modify, or upgrade its existing facilities to meet the applicant's added load or change in service requirements on the basis specified in Section 2, 3, or 4. Charges for such changes will be in accordance with the Schedule of Charges and/or a Project-Specific Cost Estimate determined by the Company based on project-specific requirements.

7.12. STUDY AND DESIGN AGREEMENT

Any applicant requesting Company to prepare special studies or detailed plans, specifications, or cost estimates will be required to make a payment to Company in an amount equal to the estimated cost of preparation. When the applicant authorizes Company to proceed with construction of the Extension Facilities, the payment will be credited to the cost of the Extension Facilities otherwise the payment shall be non-refundable. Company will prepare, without charge, a preliminary sketch and rough estimate of the cost to be paid by the applicant upon request.

7.13. MATERIAL ORDER AGREEMENT

Any applicant requesting Company to enter into a Line Extension Agreement, or relocation agreement which requires either large quantities of material or material and equipment which the Company does not keep in stock will be required to make a payment to Company prior to the material being ordered in an amount equal to the material/equipment's estimated cost. When the applicant authorizes Company to proceed with construction of the extension, the payment will be credited to the cost of the extension; otherwise the payment shall be non-refundable.

7.14. INTEREST

All refundable advances made by the applicant to the Company shall be non-interest bearing.

7.15. APPLICANT CONSTRUCTION OF COMPANY DISTRIBUTION FACILITIES

- 7.15.1. Applicant may provide construction related labor only services associated with the installation of new distribution line facilities (21 kV and below) to serve the applicant's new or added load provided the applicant receives written approval from Company prior to performing any such services and uses electrical contractors who are qualified and licensed in the State of Arizona to construct such facilities and designated as an APS Approved Electrical Distribution Contractor.

This option is not available for the following:

- 7.15.1.1. Replacement, modifications, upgrades, relocation, or conversions of existing systems.
- 7.15.1.2. Where all or a portion of the distribution line facilities are to be constructed on or installed on existing distribution line or transmission lines.
- 7.15.2. All construction services provided by the applicant shall be subject to inspection by a duly authorized Company representative and shall comply with Company designs, construction standards, and other requirements which may be in effect at the time of construction. Any work found to be substandard in the sole opinion of the Company must be corrected by applicant prior to energization by Company.
- 7.15.3. Applicant shall reimburse Company for all inspection and project coordination costs as a non-



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refundable contribution in aid of construction. Estimated costs for inspection and project coordination will be identified in the construction agreement executed by Company and applicant.

- 7.15.4. Costs for Extension Facilities for applicants who provide construction of Company distribution facilities shall be based on a Project-Specific Cost Estimate.
- 7.15.5. A signed agreement and advance payment of all project costs are required prior to the start of applicant construction. Payment is due at the time the agreement is signed by the applicant.
- 7.15.6. For applicants that are not served by the terms in Section 3 of this document, Company shall provide a Project-Specific Cost Estimate. Applicants may submit an invoice detailing costs of Extension Facilities and apply any allowance provided in Section 2 to these costs. At no point shall these costs exceed the Company's Project-Specific Cost Estimate.
- 7.15.7. Applicants served by the terms in Section 3 of this document shall be subject to the rules set forth in Sections 3 and 5.

7.16. SETTLEMENT OF DISPUTES

Any dispute between the applicant or prospective applicant and Company regarding the interpretation of these "Conditions Governing Extensions of Electric Distribution Lines and Services" may, by either party, be referred to the Arizona Corporation Commission or a designated representative or employee thereof for determination.

7.17. LINE EXTENSION AGREEMENTS

All facility installations or equipment upgrades requiring payment by an applicant shall be in writing and signed by both the applicant and Company.

7.18. ADDITIONAL PRIMARY FEED OR SPECIALIZED EQUIPMENT

When specifically requested by an applicant to provide an alternate primary feed or specialized equipment (excluding transformation), Company will perform a special study to determine the feasibility of the request. The applicant will be required to pay for the cost of the additional feed requested as a non-refundable contribution in aid of construction. Installation cost will be based on a Project-Specific Cost Estimate. Payment for the installation of Extension Facilities is due at the time the Line Extension Agreement is signed by the applicant.

7.19. GRANDFATHERING

An applicant that has entered into a Line Extension Agreement with the Company under a previous revision of this Service Schedule 3 may at applicant's request cancel the agreement, provided the Company has not installed any facilities pursuant to the agreement, and provided that applicant reimburses Company for the costs and expenses it has incurred to date, as a non-refundable contribution in aid of construction. The applicant may then enter into a new Line Extension Agreement with the Company under this revision of Service Schedule 3.



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**Attachment 1
Schedule of Charges – Single Phase**

**APS Schedule 3, Line Extension Schedule of Charges
Single Phase Extension Costs**

Single Phase	OH Primary		UG Primary			OH Secondary		UG Secondary	
	Cost per Circuit Foot	Cost per Circuit Foot	Pull Box	Pad Mount Junction Cabinet	OH/UG Transition	Secondary Pole	OH/UG Secondary Transition	J Box	
	\$15.00	\$6.00	\$705	\$2,682	\$1,183	\$2,339	\$681	\$98.54	
OVERHEAD Single Phase	SES Size	Transformer Size, 120/240V	Service wire/Linear Ft						
	200 Amp	25kVA	\$3,657	\$4.89					
	200 Amp	50kVA	\$4,439	\$9.02					
	400 Amp	50kVA	\$4,439	\$9.02					
	600 Amp	75kVA	\$5,475	\$18.23					
	800 Amp	100kVA	\$7,699	\$18.23					
UNDERGROUND Single Phase	SES Size	Transformer Size, 120/240V	Service wire/Linear Ft						
	200 Amp	25kVA	\$3,764	\$3.65					
	200 Amp	50kVA	\$4,498	\$4.36					
	400 Amp	50kVA	\$4,498	\$4.36					
	600 Amp	75kVA	\$5,266	\$8.71					
	800 Amp	100kVA	\$6,270	\$16.68					

- Notes:**
- 1) Extension Facilities that do not qualify for the Schedule of Charges will be determined by a project specific cost estimate.
 - 2) Cost per foot charges will be determined from termination at the source to the next device in the circuit. Linear footage for each circuit will be summed to determine charges.
 - 3) Pad Mount switch gear is a single phase termination cabinet.
 - 4) Primary OH cost per foot is for one phase and a neutral or two phases and no neutral, includes poles, framing, 2R conductor
 - 5) Charges for services are based on linear feet from Transformer to SES regardless of the number of sets, J Boxes not included in footage cost.
 - 6) All footages to be calculated by linear footages
 - 7) Transition is from the OH line to the UG line, which includes wire down pole and accessories. Pole NOT included.

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**Attachment 1
Schedule of Charges – Three Phase**

APS Schedule 3 Rev 12, Line Extension Schedule of Charges

Category	Overhead				Underground				Transformer Size 277/480 Volts	Service wire/Linear Ft		
	Cost per Circuit Foot	Cost per Circuit Foot (3-750)	Each Installation	Each Installation	Cost per Circuit Foot	Cost per Circuit Foot (3-750)	Each Installation	Each Installation				
FEEDER Three Phase	\$11.54	\$34.03	\$48.06	\$16.68	\$11.54	\$34.03	\$48.06	\$16.68	\$11.54	\$34.03	\$48.06	\$16.68
OH/UG Transition												
PRIMARY Three Phase												
OH/UG Transition												
OVERHEAD Three Phase												
UNDERGROUND Three Phase												

- 1) Extension facilities that do not qualify for the Schedule of Charges will be determined by a project specific cost estimate.
- 2) Cost per foot charges will be determined from termination at the source to the next device in the circuit. Linear footage for each circuit will be determined from the combined total of each SES size in amps, rounded up to the nearest SES size, limited to a combined maximum of 3,000 amps.
- 3) For Multiple services out of one three phase transformer, the service cost will be determined by each SES and the transformer cost will be determined from the combined total of each SES size in amps, rounded up to the nearest SES size.
- 4) Overhead feeder cost per foot is for 3/0 and above, including 4/77 & 795 conductors.
- 5) UG Primary circuit footage is 3 cables making up 3 phase; 2 circuits is parallel conductors.
- 6) Charges for services are based on linear footage from transformer to SES regardless of the number of sets.
- 7) All footages to be calculated by linear footages.
- 8) Transition is from the OH line to the UG line; includes wire down pole and accessories; Pole NOT included.

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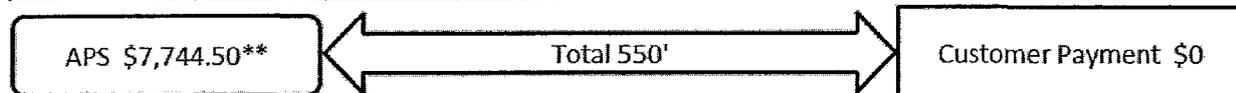
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Effective: XXXXXX



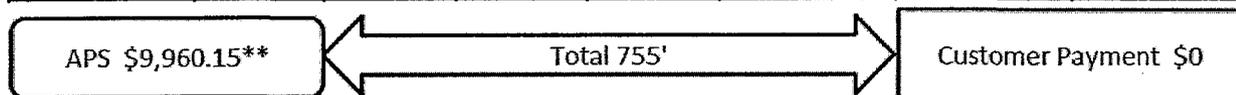
**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Examples to Section 2.1*
Free Footage Illustrative Example**

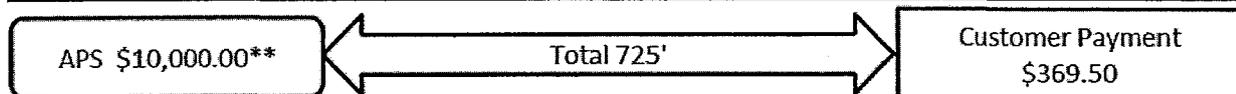
Scenario 1	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
	500	\$15.00	50	\$ 4.89	550	\$ 7,744.50	\$ -



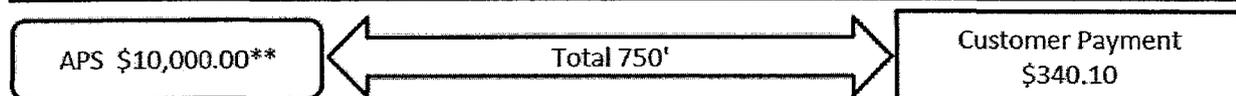
Scenario 2	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
	620	\$ 15.00	135	\$ 4.89	755	\$ 9,960.15	\$ -



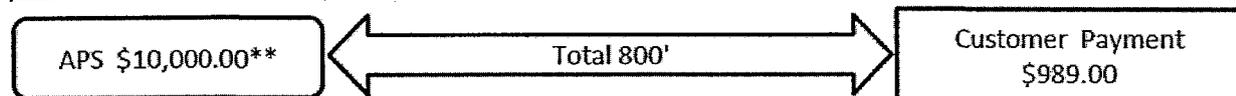
Scenario 3	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
	675	\$ 15.00	50	\$ 4.89	725	\$ 10,369.50	\$ 369.50



Scenario 4	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
	660	\$ 15.00	90	\$ 4.89	750	\$ 10,340.10	\$ 340.10



Scenario 5	Primary		Service		Total		Customer Payment
	Footage	Cost	Footage	Cost	Footage	Cost	
	700	\$ 15.00	100	\$ 4.89	800	\$ 10,989.00	\$ 989.00



*Scenarios do not reflect all components required for a complete project.
**APS portion does not include cost of transformer.



**SERVICE SCHEDULE 3
CONDITIONS GOVERNING EXTENSIONS OF
ELECTRIC DISTRIBUTION LINES AND SERVICES**

**Attachment 3
Residential Subdivision Illustrative Example**

Scenario 1	
Number of Planned Homes	100
Estimated Construction Cost	\$ 350,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ -
Number of Homes Completed	100
Credited Allowance	\$ 350,000
Potential Remaining Allowance	\$ -

Scenario 2	
Number of Planned Homes	100
Estimated Construction Cost	\$ 400,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ 50,000
Number of Homes Completed	100
Credited Allowance	\$ 350,000
Potential Remaining Allowance	\$ -

Scenario 3	
Number of Planned Homes	100
Estimated Construction Cost	\$ 350,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ -
Number of Homes Completed	45
Credited Allowance	\$ 157,500
Potential Remaining Allowance	\$ 192,500

Scenario 4	
Number of Planned Homes	100
Estimated Construction Cost	\$ 400,000
Total Potential Refundable Allowance	\$ 350,000
Non-Refundable Contribution	\$ 50,000
Number of Homes Completed	45
Credited Allowance	\$ 157,500
Potential Remaining Allowance	\$ 192,500

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: January 31, 1954

A.C.C. No. XXXX
Canceling A.C.C. No. 5766
Service Schedule 3
Revision No. 12
Effective:XXXXXX