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September 10, 2008

The Honorable Sylvia Allen
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Re: Elimination of APS' 1000 Feet of "Free Extension"
Docket Nos. E-01345A-05-0816, E-03145A-05-0826 and E-01345A-05-0827

Dear Senator Allen:

I am writing in reply to your letter of August 20, 2008, in which you expressed concerns about the Arizona Corporation Commission's decision to eliminate the 1000 feet of free line extension that Arizona Public Service Company (APS) had previously provided to prospective customers.

Although I do not dispute your view that the elimination of free line extensions may affect rural and urban residents differently, the Commission's decision to make this change reflects the pressing need to address the state-wide issue of making growth pay for itself, rather than maintaining the status quo, under which existing customers were forced to pick up the tab for "free" footage provided to new customers. Free footage isn't free, somebody has to pay for it, and in my view, that person should be the one who wants a new service connection.

I appreciate that this change has caused hardships for some prospective customers in rural areas. However, I also know that there are both advantages and disadvantages to choosing to live in either rural or urban areas. On balance, those factors are out-weighed by the need to rectify the larger inequity that resulted from existing customers having to subsidize new connections throughout APS' service territory, urban and rural. Accordingly, I would not be in favor of the Commission revisiting this issue to consider exempting rural areas.

You asked why there appears to be no limit to what APS may charge for extending its lines to serve a new connection. Under current practice, APS estimates the cost it expects to incur in extending a line to a new service connection and uses that estimate as the basis for an agreement with the prospective customer. I would encourage your constituents to contact the Commission's Consumer Services Section at 602-542-4251 (local) or 800-222-7000 (toll-free) if they have any questions regarding how APS reconciles its estimated cost with the actual cost as determined after the work is done.

You also asked if free line extensions are still provided to residents of Native American Reservations. The answer is yes, this exception resulted from an amendment offered by Commissioner Mundell, which passed over my lone dissenting vote.

I hope you find this information is responsive to your inquiry.

Sincerely,

Mike Gleason

Mike Gleason, Chairman

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