

Statement of Gary Pierce on APS Rate Case

I recognize that most of the heavy lifting in this case was performed before I was on the Commission, and I want to once again express my appreciation to the parties and to Judge Farmer for the thorough and professional manner in which the issues were addressed in this proceeding.

We have learned a lot. We have learned that APS is experiencing the highest population growth in its service territory of any private power utility in the nation. To keep up with this growth, APS is spending more than \$900 million a year in capital expenditures. At that rate, APS will double its plant in just five years.

This tremendous growth has placed enormous pressure on APS to maintain enough cash flow to service its debt. We have heard over and over in this proceeding and elsewhere that due to limitations on cash flow, APS is precariously close to entering junk bond status, and if that happens, it will raise the cost of capital for APS and ultimately to APS's ratepayers. While I am sympathetic and supportive of APS's need to increase its cash flows, I find its three proposed remedies in this proceeding (allowing construction work in progress (CWIP) into rate base, authorizing accelerated depreciation, and creating an attrition adjustment) unacceptable.

As a general matter, APS's proposed remedies would transfer the costs of growth to APS's current ratepayers. I am not opposed to growth, but I am opposed to giving growth a free ride on the backs of current ratepayers. Growth should pay its own way. APS needs to bring this Commission a proposal that addresses its cash flow concerns in a way that does not result in current ratepayers subsidizing future ratepayers. This Commission currently has an open docket on hook up fees, and there may be other ways of requiring growth to pay for itself.

It will be a sure sign of management malfeasance if APS goes into junk bond status without having first brought forth a serious proposal to address its cash flow concerns in a way that requires growth to pay for itself. If APS enters junk bond status, the first five names that should come to the mind of APS's ratepayers and Board of Directors should be Post, Davis, Brandt, Robinson and Wheeler, not Mayes, Mundell, Gleason, Hatch-Miller or Pierce.

With that, I vote aye.

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