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November 21, 2008

Mr. Don Brandt
President and CEO
Arizona Public Service
400 No. Fifth Street
M.S. 9042
Phoenix, AZ 85004

Re: Increase in the number of residential deposits being imposed by Arizona electric utilities on late-paying customers; Docket No. E-01345A-08-0172.

Dear Mr. Brandt:

As you know, recent reports have highlighted dramatic increases in utility customer shut-offs. Through the first seven months of 2008, Salt River Project ("SRP") recorded a 70 percent increase in customer shut-offs over 2007 numbers.¹ Arizona Public Service Company's ("APS") own figures demonstrate a 40 percent increase in shut-offs. Based on information provided to my office, it would appear that there has also been a steep rise in the number of residential deposits being imposed by the state's electric utilities on consumers who fall behind in the payment of their bills. Specifically, APS has sent 2,535 more deposit requests in August, September and October 2008 than during the same months in 2007, representing a nearly 15 percent increase; TEP has required nearly 500 more deposits in 2008.

The stark increase in the number of utility shut-offs and security deposit requirements underscores the financial difficulty that many customers are currently facing. In light of these challenges, I write to address the current APS policy with respect to security deposits. I understand that APS is requiring customers who have been late on three consecutive payments to provide an additional deposit in the amount of two times their average monthly bill to maintain service.² This policy appears markedly counter productive as it requires a financially challenged customer to come up with a significant amount of additional funds to maintain their electric service connection at a time when they are most unlikely to have the means to do so.

While APS' Schedule 1 Terms and Conditions address residential deposits, they provide APS significant latitude in how these policies are implemented. APS has discretion as to the maximum amount of the deposit and the triggers for requiring a deposit. Section 2.7.6 specifies that residential deposits shall not exceed two times the customer's average monthly bill. However, this is the cap; APS has the discretion to accept a reduced amount. Additionally,

¹ See Utilities Urge Troubled Customers to Seek Help, Ktar.com, October 8, 2008.

² This means that some customers who are late paying their bills are being asked to then pay several hundred dollars more, in addition to the amount of the late bills.

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Section 2.6.1 provides that the Company may require a customer to re-establish a security deposit if delinquent in the payment of two or more bills within a twelve month period. By way of comparison, TEP's Rules and Regulations allow them the discretion to require a re-establishment deposit if a customer is delinquent in the payment of three or more bills within a twelve month period.

In light of the discretion allowed APS under Schedule 1, I ask that you reconsider your policies with respect to deposits, and explain what alternative means of implementing Schedule 1 could be taken in order to avoid unnecessary disconnections of customers during these trying economic times.

Thank you for your consideration of these matters.

Sincerely,



Kris Mayes
Commissioner

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