

Free extension policy muddles APS rate case

by Jeremy Duda

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Opponents of a policy that forces landowners, not APS, to foot the bill for extending power lines to their property have spent nearly a year drumming up support for their cause. Now, they will get a chance to plead their case to the Arizona Corporation Commission.

At an Aug. 12 hearing, the commission will hear comments on a proposed 4.7 percent rate increase for Arizona Public Service, but the hearing is likely to be dominated by members and allies of Arizonans for Fair Power Policy (AFPP), a grassroots organization that formed last year.

The group set out to convince the Corporation Commission to reverse a 2007 decision that eliminated a decades-old policy requiring APS to provide a free hookup to any property within 1,000 feet of an existing APS power line. Continuation of the existing policy is part of the APS rate case.

Mike Wyllie, a West Valley landowner who founded Arizonans for Fair Power Policy, has traveled across the state to speak out in favor of the former policy, which was implemented in the mid 1950s. He has found support among homebuilders, real estate agents, county boards of supervisors and many others.

"The current APS extension policy is having a devastating impact on land values," said Wyllie, who owns land in Buckeye, Tonopah and Wittmann. "There's thousands and thousands of people who bought land prior to 2007 on the premise they were getting 1,000 feet for free, and when they go out to build or sell their property, they find out that their property is almost worthless. And it's just not fair and it's not right."

For supporters of the existing policy, the mantra is that growth needs to pay for itself. They argue that increasing utility rates so developers can get free electrical hookups is unfair to utility customers. Since the Corporation Commission made its 2007 decision on APS, it has also eliminated free-extension policies for Tucson Electric Power, UniSource Energy Services and Trico Electric Cooperative.

Commission Chairwoman Kristin Mayes, one of two commission members who were in office during the 2007 decision, voted to eliminate the free extensions. Mayes said she expects the extensions to be a major issue at the Aug. 12 hearing.

"I'm open to looking at alternatives to the new proposal, but my bottom line is that I don't believe ratepayers should be asked to endure higher rate increases to subsidize wildcat subsidizing and sprawl. I think if we were to reverse course at this point, it would mean a higher

rate increase for the average consumer, and I think that's wrong," Mayes said.

Wyllie and AFPP have a wealth of support from across the state. The La Paz, Navajo and Yavapai county boards of supervisors wrote letters to the ACC asking that the free 1,000-foot extensions be reinstated, though not every board voted unanimously on the issue. County supervisors from Pinal, Gila and Cochise counties also have said they want the former policy to be reinstated.

The counties, like Wyllie, argue that the policy has a disproportionate impact on rural areas. While land in the Phoenix and Tucson metro areas is likely to be adjacent to existing power lines, extending the lines to properties in rural Arizona can cost more than \$20,000.

The policy is especially onerous, Wyllie said, for people who bought land prior to the 2007 policy change, and now find their land far less valuable without the free extensions. Wyllie said he bought a plot of land in the West Valley for \$21,000 in 2006, but now must foot the bill himself for an electrical hookup that would cost \$24,000.

"There are many people who purchased property in the past few years and who want to bring power in so they can start development, but the price is too costly for them to do it," the La Paz County Board of Supervisors wrote in a letter to the Corporation Commission. "This is not the time to hinder growth that we so desperately need."

AFPP commissioned a study by Elliott D. Pollack & Company. The study, released in July, found that every 100 homes built in Arizona generates about \$76,000 in revenue for the state, along with \$120,000 for a county and \$134,000 for a municipality, as well as hundreds of thousands of dollars in secondary revenue and 112 jobs.

Failure to return to the old policy, according to the study, could discourage home sales by adding as much as \$3,000 to the cost of each subdivision lot.

Carl Faulkner, of Sonora Development LLC, said his company halted construction on the second phase of a subdivision in Douglas because it can't afford the \$98,000 the electrical hookups would cost.

"It's a windfall for APS. They get \$100,000 on these 35 homes, and then...obviously we've got to pass the costs onto customers," Faulkner said.

Under the existing policy, APS benefits by charging landowners for hookups that will benefit the company for decades to come, Wyllie said, because that home will always have to get its power from APS.

Additionally, owners of adjacent land will be able to hook onto the extensions, meaning the original landowner may be paying tens of thousands of dollars to subsidize his neighbors' electricity, Wyllie said.

Advocates of the existing policy, however, said free extensions are unfair to utility customers. Jeff Guldner, vice president of regulation at APS, said the 4.7 percent rate hike the company is asking for would likely be at least 1 percent higher if APS had to continue paying for 1,000 free feet.

Guldner said the current policy improves the economy by encouraging people to move into the many homes that were built during Arizona's housing boom but now lie empty.

Guldner said the upcoming rate settlement includes "refinements" aimed at compensating landowners who pay thousands for line extensions that adjacent landowners hook onto for free.

Chip Davis, the only member of Yavapai County's three-person board of supervisors who voted against asking the ACC to reinstate the free extensions, said the old policy encouraged unregulated lot splitting and wildcat developers, which led to "hodgepodge sprawl growth everywhere you look."

State Sen. Sylvia Allen, a Republican from Snowflake and an ally of Wyllie's, said subsidized energy costs bring a larger benefit to society. She compared the former policy to New Deal-era

programs that created cooperatives that delivered electricity to rural America, bringing industry and prosperity in its wake.

Additionally, she said the free extensions help preserve the rural lifestyle that is important to many Arizonans.

"It helps our standard of living, it helps the next generation," Allen said.

Allen's fellow GOP Sens. Russell Pearce of Mesa, Steve Pierce of Prescott and Al Melvin of Tucson have joined her in support of free extensions.

Corporation Commissioner Paul Newman said it would be unfair to shift the cost to the ratepayers. He pointed to a recent vote on eliminating similar extensions by Trico, which serves parts of Pima, Pinal and Santa Cruz counties. The rate increase was about 10 percent, he said, but would likely have been 4-5 percent more if the 40,000-member cooperative had been required to continue providing free electrical hookups.

"Perhaps there could be a compromise found and a better formula," Newman said. "I don't know what it would be. Perhaps a shorter extension. I don't even know if I'm going to buy onto that, but I want to have it fully discussed in a policy workshop."

Commissioners Sandra Kennedy, Gary Pierce and Bob Stump did not return calls seeking comment on the issue.

Although Stump originally voted to nix the free extensions, he told the Arizona Capitol Times in December that he had switched positions and now supports the reinstatement of the former policy. Backing that up, he recently voted against eliminating free extensions for Trico.

The commissioners have requested that the policy be examined more closely, and several have broached the possibility of creating a new, shorter extension.

Mayes said a final decision on the issue will likely be made in the fall.

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