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BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 MARC SPITZER
Chairman
3 WILLIAM A. MUNDELL
Commissioner
4 JEFF HATCH-MILLER
Commissioner
5 MIKE GLEASON
Commissioner
6 KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 28 2004

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AZ CORP COMMISSION
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2004 SEP 28 A 9: 21

RECEIVED

8 IN THE MATTER OF THE APPLICATION
9 OF ARIZONA PUBLIC SERVICE COMPANY
10 FOR A HEARING TO DETERMINE THE
11 FAIR VALUE OF THE UTILITY PROPERTY
12 OF THE COMPANY FOR RATEMAKING
13 PURPOSES, TO FIX A JUST AND
14 REASONABLE RATE OF RETURN
15 THEREON, TO APPROVE RATE
16 SCHEDULES DESIGNED TO DEVELOP
17 SUCH RETURNS, AND FOR APPROVAL OF
18 PURCHASED POWER CONTRACT.

DOCKET NO. E-01345A-03-0437

NOTICE OF FILING DIRECT
TESTIMONY OF SEAN SEITZ

15 PLEASE TAKE NOTICE THAT Arizona Solar Energy Industries Association ("AriSEIA") hereby files
16 the attached Direct Testimony of Sean Seitz in the above-captioned docket.

17 DATE this 28th day of September, 2004.

18 By
19 Sean M. Seitz
20 President, AriSEIA
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1 **Introduction**

2 Q. Please state your name and business address.

3 A. My name is Sean Seitz. My business address is American Solar Electric, 5056 S. 40th St., Suite C, Phoenix,
4 Arizona, 85040

5 Q. What is your occupation?

6 A. I am President of American Solar Electric. I am also President of the Arizona Solar Energy Industries
7 Association ("AriSEIA").

8 Q. Did you participate in the settlement negotiations?

9 A. Yes. I represented the Arizona Solar Energy Industries Association ("AriSEIA"). AriSEIA is the Arizona
10 chapter of the Solar Energy Industries Association ("SEIA"). SEIA is the national solar industry trade
11 association and is headquartered in Washington, D.C. AriSEIA members install, sell, distribute and
12 manufacture solar products and systems. Multi-national manufacturers of solar components along
13 with Arizona-based contractors, retailers, distributors and our two largest utility companies, Arizona Public
14 Service and Salt River Project, are represented in the membership.

15 Q. Did AriSEIA previously file direct testimony in this matter?

16 A. No. AriSEIA filed and was granted intervener status during settlement negotiations.

17 **Settlement Agreement Provisions Linked to the Environmental Portfolio Standard.**

18 Q. What is the purpose of your testimony?

19 A. My testimony addresses Section VIII Paragraphs 61-68 dealing with matters linked to the Environmental
20 Portfolio Standard ("EPS"), A.C.C. R14-2-1618 ("Rule 1618").

21 Q. Does AriSEIA support the settlement agreement?

22 A. Yes

23 Q. What were AriSEIA's objectives during settlement negotiations?

24 A. AriSEIA believes the EPS was adopted following a comprehensive, open and full evidentiary hearing
25 process. It was reaffirmed in April, 2004 when its full implementation was ordered. Therefore, AriSEIA
considers it is vital that the results of a closed APS rate settlement negotiation do not nullify the EPS

1 requirements nor degrade its implementation and, where possible, it should enhance implementation of the
2 EPS. We had three specific objectives. First, that there be no conditions placed in the settlement either to
3 funding amounts or to implementation requirements that would override the EPS provisions as adopted by
4 the Commission. Second, that the settlement deal with the funding shortfall projected by APS in its
5 implementation of the EPS. Third, that no barriers be placed in the settlement that would effectively limit
6 any subsequent modification of the EPS, particularly as it relates to the solar energy requirements or
7 funding amounts in the EPS.

8 Q. Are the funding amounts and recovery mechanisms contained in the settlement agreement consistent with
9 the EPS?

10 A. Yes. The \$12.5M included in APS' total test year requirements (Paragraph 61) and the \$6M allowed for
11 recovery in the base rates (Paragraph 62) are consistent with the EPS. The surcharge mechanism outlined in
12 Paragraph 63 is the same as the surcharge mechanism contained in the current EPS.

13 Q. What is AriSEIA's position regarding the stipulation in Paragraph 63 that any change in the funding
14 requirements resulting from a modification of the EPS be collected in a manner that maintains the
15 proportion between customer categories embodied in the current EPS surcharge?

16 A. AriSEIA has no objection as the stipulation in Paragraph 63 does not preclude additional funding.

17 Q. Your organization has expressed concern that the APS implementation of the EPS results in a funding
18 shortfall. How does the settlement agreement deal with this problem?

19 A. The settlement agreement does not provide for additional funding. However, it does establish a process by
20 which APS may obtain funds beyond that provided in base rates and the EPS surcharge.

21 Q. What is your position on the requirements APS must meet in applying for these additional funds to meet
22 the EPS requirements?

23 A. Paragraph 64 of the settlement agreement specifies nine conditions APS must meet in its application for
24 additional funding. These requirements serve notice on APS that an increase in funding is not to be taken
25 lightly and necessitates that APS tighten its management of its EPS program. The current EPS has no such
administrative requirements.

1 Q. Are there any other linkages between the settlement agreement and the EPS?

2 A. Yes, there are linkages that are called out in Paragraphs 65 and Paragraph 66 of the settlement agreement
3 that deal with administrative matters of collecting, accounting, and billing for EPS revenues. Paragraph 67
4 requires APS to submit its renewables program for Commission approval following Commission approval
5 of the settlement agreement. Finally, Paragraph 68 states that the Commission will address issues such as
6 modifying the EPS in a generic proceeding and Commission staff will initiate a rulemaking procedure to
7 modify the EPS rule within 120 days of Commission approval of the settlement agreement.

8 **Conclusion.**

9 Q. Are the settlement agreement provisions dealing with the Environmental Portfolio Standard in the public
10 interest?

11 A. Yes. Because the settlement agreement is consistent with the provisions of the EPS as adopted by the
12 Commission, APS will expand its energy portfolio to include a growing amount of energy from solar. The
13 benefits —less pollution, greater fuel diversity, and no water requirements - grow more significant each day
14 as Arizona doubles its energy demand over the next fifteen years.

15 Q. Does this conclude your testimony?

16 A. Yes it does. Thank you.