



0000014524

Jana Van Ness
Manager
Regulatory Affairs

Tel 602/250-2310
Fax 602/250-3003
e-mail: Jana.VanNess@aps.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999 *325*

November 22, 2004

Arizona Corporation Commission
DOCKETED

NOV 22 2004

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

DOCKETED BY *JVN*

RE: WITNESS SUMMARIES OF DIRECT AND REBUTTAL SETTLEMENT TESTIMONY UNDER DOCKET
NO. E-01345A-03-0437

Dear Sir or Madam:

Pursuant to the Procedural Order dated August 20, 2004, in the above referenced Docket, Arizona Public Service Company ("APS") is hereby filing written summary of the Direct Settlement Testimony for David J. Rumolo. APS is also submitting written summary of the Settlement Rebuttal Testimony for David J. Rumolo and Stephen J. Bischoff.

If you or your staff have any questions, please feel free to call me.

Sincerely,

Jana Van Ness
Manager
Regulatory Affairs

JVN/bec

Cc: Docket Control (Original plus 13 copies)

RECEIVED
2004 NOV 22 P 3:00
AZ CORP COMMISSION
DOCUMENT CONTROL

Summary of Testimony of Stephen J. Bischoff

My testimony addresses three specific aspects in response to the direct testimonies of Arizona Cogeneration Association ("AzCA") witnesses Peter F. Chamberlain, Robert T. Baltes, and William J. Murphy. First, I describe the previous work the Commission has done on distributed generation and summarize many of the key topics that were addressed by the Advisory Committee during the Commission's 1999 generic investigation of distributed generation and interconnection ("DGI") (Docket # E-00000A-99-043 1). This section also includes a summary of the work APS has done on distributed generation since the conclusion of the DGI workshops and final report. Second, my testimony discusses the impact of distributed generation on overall system reliability. Third, my testimony discusses APS' current interconnection agreements. These agreements are applied in a fair and equitable manner to ensure that interconnections are completed in a safe and timely manner. Such agreements also appropriately recover the cost of any necessary utility studies. This section of my testimony also discusses APS' support of a statewide standardization of interconnection requirements and the potential inclusion of IEEE-1547 standards into the existing APS interconnection requirements.

Although APS' current interconnection requirements are appropriate and effective, I believe the distributed generation issues brought in the AzCA witness's testimony should be fully addressed in Commission-sponsored workshops as specified in our current Agreement. This allows everyone with an interest in distributed generation technologies to participate in the development of key issues/findings that can be standardized and used in any needed rulemaking on distributed generation and be applied consistently by all regulated utilities in Arizona. Furthermore, APS supports distributed generation and the need to continue monitoring this technology while looking for opportunities where the installation of either customer-owned or utility-owned distributed generation meets all requirements for safety and reliability, and is cost-neutral for our non-DG customers.

Summary of Settlement Direct Testimony of David J. Rumolo

My testimony addresses three specific aspects of the Settlement. First, I describe the rate design aspects of the Agreement, including the proposed modifications to the residential and non-residential rates beginning with the unbundling of services in accordance with the Retail Electric Competition Rules ("Competition Rules"). The proposed rates for residential customers and key rates for non-residential customers are attached to the Agreement as Appendix J.

Second, my testimony describes two of the adjustment mechanisms that will become part of the APS electric tariff – the Transmission Cost Adjustment ("TCA") and the Returning Customer Direct Access Charge ("RCDAC"). The other adjustment mechanisms described in the Agreement, including the Power Supply Adjustment ("PSA"), the Demand Side Management Adjustment Charge ("DSMAC") and the Competition Rules Compliance Charge ("CRCC"), are addressed in the Settlement Testimonies of Steven M. Wheeler and Donald G. Robinson. Third, my testimony describes and explains the modifications to APS' Service Schedules to which the parties to the Agreement have reached concurrence. I have attached a series of tables that compares descriptions of the principle rate issues found in APS rate application with modifications to those issues as found in APS rebuttal testimony and the treatment of those issues in the Settlement Agreement.

From the perspective of rate design, I believe that the Settlement Agreement results in rates that represent a balance of the interests of the stakeholders represented by the signatories to the Agreement and is in the public interest. Retail rates are proposed that meet the requirements of the Competition Rules. Modest rate increases are proposed that also address the issue of class rate of return differentials. I urge the Commission to approve the Settlement Agreement.

Residential Rates	Filed Case Rates restructured in accordance with Competition rules; Schedule EC-1 eliminated; Schedule E-10 eliminated over one year period; Experimental TOU rate that would allow customers to pick alternative time periods; Elimination of TOU time periods in winter months.	Rebuttal Testimony EC-1 phased out over one year period, customer information process during phase-out period with an interim rate increase during phase-out. Non-time differentiated energy charges in winter proposed as alternative to staff. Increase in E-3 and E-4 discounts.	Settlement Testimony Schedules E-10 and EC-1 will be receive a slightly higher average rate increase compared to E-12, ET-1 and ECT-IR and will be eliminated in next APS rate case. TOU periods will be unchanged and APS will develop a report that addresses implementing flexibility in TOU rates. Experimental TOU rates will be adopted.
General Service Rate Schedules	Rates restructured in accordance with Competition Rules; simplification of Schedule E-32 including elimination of explicit demand charge for customers with loads of 20 kW or under; Schedule E-20 (Church rate) frozen to new customers; frozen/limited TOU rates eliminated and new TOU rate adopted. TOU time periods and seasons modified so the general service and residential rates have the same time periods. Voltage level discounts for primary and transmission level customers.	Modification of E-32 rate design to change billing break points; continue current TOU hours but adjust seasons to reflect same as residential	E-32 rate concepts as modified by rebuttal testimony adopted; Church rate frozen; existing TOU rates, except E-35, are frozen and will be eliminated in next rate case. New E-32 TOU adopted. Discount available for military bases served directly from APS substations.
Irrigation/Water Pumping Schedules	Elimination of Schedule E-38 and E-38-8T (approximately 160 customers), customers transferred to Schedule E-221, E-221-8T or E-32.		E-38 and E-38-8T frozen and will be eliminated in next APS rate case.
Street and Dusk to Dawn	Rate designs changed to a menu format to provide customers with more		

Lighting	choices.		
Partial Requirements Schedules	E-32 R reflects changes to E-32 since it is a billing option of E-32 that establishes minimum demand. Schedules E-52 and E-55 are unchanged, there are no customers on E-52 and E-55		

Power Supply Adjuster		Adopts sharing mechanism	90-10 Sharing Mechanism; charge will be implemented for the first time in April 2006, \$0.004/kWh maximum adjustment each time; balancing account and potential amortization charge used to account for changes outside bandwidth; all off-system sales margins benefit ratepayers; monthly reporting to Staff
Transmission Cost Adjuster	TCA proposed to recover increased OATT costs and RTO costs when RTO is formed.		TCA trigger at 5% of test year costs
Returning Customer Adjuster		Impacts customers or aggregated groups over 3 Megawatts and would not apply if customer provides one year notice of intent to return to Standard Offer Service	
Competition Rules Compliance Charge			CRCC balance adjusted to reflect removal of RTO costs
System Benefits Adjustment		Proposed to use SBAC for DSM programs	Future use

Charge			
DSM Adjustment			Used to recover DSM program costs in excess of annual \$10 million in base rates.
EPS Adjustment charge			Current surcharge converted to adjuster it allow for increased Commission funding.

Service Schedule 1	New charges and adjustment to existing charges	Acceptance of most modifications to changes recommended by ACC Staff	
Service Schedule 3	Line extension policy for individual permanent residential extensions modified to equipment allowance of \$3,500 in lieu of footage allowance. Economic studies based on dual fuel assumption and only "wires" revenue.		Maintain current footage based policy. Economic studies based on dual fuel assumption and only "wires" revenue
Service Schedule 4	Allow totalizing for residential and single-phase general service, removal of prohibition of same-site remote totalizing.		
Schedule 7	Meter testing plan modified to recognize solid state metering and latest ANSI standards		
Schedule 10	Clean-up of language on direct access requirements		
Schedule 15	Specialized metering broadened to incorporate IDR and cost responsibility for specialized meters		

Summary of Settlement Rebuttal Testimony of David J. Rumolo

AzCA has made a number of inaccurate statements concerning the rates proposed under the Agreement. And although some of the changes suggested by AzCA would be advantageous to the AzCA's members and to the owners of distributed generation ("DG"), they would not be consistent with proper ratemaking and cost causation. Their impact on non-DG full-requirements customers of the Company would be both significant and adverse. The rate design proposed by the Agreement is balanced, progressive, and reflects a broad consensus of the customer groups that will actually be asked to pay the rates. Also, my testimony calls attention to the fact that the Agreement recognizes the need to finally address the issues raised by AzCA, by directing Commission Staff to resolve any outstanding distributed generation issues in workshops and, if necessary, rulemaking.