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SOPD

October 24, 2005

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007-2996

Re: PLAN FOR ADMINISTRATION AND APPROVAL OF POWER SUPPLY  
ADJUSTOR SURCHARGE DOCKET No. E-01345A-03-0437 AND  
E-01345A-05-0526

Dear Sir/Madame:

Pursuant to the Procedural Order dated September 14, 2005, Arizona Public Service Company ("APS") hereby files its Rebuttal Testimony for Peter Ewen in the above referenced Dockets.

If you have any question please contact me.

Sincerely,

Justin H. Thompson  
Manager  
Regulation, Policy & Analysis

JHT/bec

cc: Docket Control (Original, plus 15 copies)  
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**REBUTTAL TESTIMONY OF PETER M. EWEN**

**On Behalf of Arizona Public Service Company**

**Docket No. E-01345A-05-0526**

**&**

**Docket No. E-01345A-03-0437**

**October 24, 2005**

**Table of Contents**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I.	INTRODUCTION.....	1
II.	SUMMARY .....	1
III.	REPLACEMENT COST REPORTING .....	1
IV.	CONCLUSION .....	3



1 costs for unplanned outages, and; (3) provide updated under/over-collected PSA  
2 balance projections for the following 12 month period. We agree that adding this  
3 information and making it available on a timelier basis will help Staff in their  
4 efforts to complete "quicker and more in-depth evaluations" of the PSA  
5 balancing account amounts and trends.

6 **Q. DO YOU BELIEVE STAFF'S RECOMMENDED REPORTING**  
7 **MODIFICATIONS SHOULD BE CLARIFIED?**

8 A. Yes. Specifically, I recommend that the Commission clarify what will be  
9 provided on outage costs. Staff's recommendation (Staff witness Gehlen's Direct  
10 Testimony at page 12, lines 19 - 21) could be interpreted as requiring a  
11 calculation of outage costs for every APS generating unit irrespective of the  
12 length of the outage, its lack of impact on APS operations or its materiality in  
13 terms of cost.

14 I believe we can satisfy Mr. Gehlen's recommendation efficiently and  
15 effectively by providing in a standard format the replacement power costs of  
16 unplanned outages for our power plants aggregated for the month by resource  
17 type: nuclear, coal, and the gas combined cycle units. These three types of units  
18 normally account for 97% of APS generation output during a typical summer  
19 month. I would note that the current report does provide outage information  
20 concerning the type and duration of both planned and unplanned outages, as  
21 well as the status (complete or in progress). The additional cost report will  
22 include the energy lost to unplanned outages, the gross replacement costs  
23 incurred in replacing that energy, the fuel savings from the plants that are  
24 incurring the unplanned outages, and the net replacement power costs resulting  
25 from the gross replacement costs less the fuel savings. Also, if Staff wishes to  
26

1 investigate the particular details surrounding an outage or set of outages, those  
2 details will also be made available.

3 **Q. ARE THERE OUTAGE REPLACEMENT COSTS FOR THE GAS**  
4 **STEAM AND COMBUSTION TURBINE UNITS?**

5 A. Occasionally, but these amounts are typically very small. For the April through  
6 September period this year, the sum of all outage net replacement costs for the  
7 gas steam units was \$4,000. We do not even calculate the outage replacement  
8 costs for combustion turbines. These units have the highest heat rates of our  
9 generation fleet and are for many months of the year marginally economic  
10 relative to purchases from the market. With the addition over the last few years  
11 of so many new combined cycle units with heat rates of around 7,000 Btu/kWh  
12 (compared to combustion turbine heat rates in excess of 12,000 Btu/kWh), these  
13 units have seen their capacity factors drop and are being used primarily for  
14 reliability purposes rather than economic energy. Any differential in cost  
15 between buying replacement power for these units and the fuel cost avoided by  
16 not having them dispatched has proved in recent years to be very small. And as I  
17 indicated previously, if there were outages at these units that appeared to Staff  
18 from the monthly PSA reports to be unusual, Staff could specifically request the  
19 same sort of outage replacement cost information as will be provided on a  
20 routine basis for our other units.

21 **IV. CONCLUSION**

22 **Q. DO YOU HAVE ANY CONCLUDING REMARKS?**

23 A. Yes. APS believes Staff has made a number of recommendations that will  
24 improve the flow of information between the Company and the Commission on  
25 a timelier basis. With the clarification on outage costs reporting discussed in my  
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rebuttal testimony, APS fully supports the Staff recommendations in Mr. Gehlen's testimony.