



BEFORE THE ARIZONA CORPORATION CO

301E

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

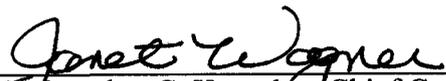
IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR AN EMERGENCY INTERIM RATE
INCREASE AND FOR AN INTERIM
AMENDMENT TO DECISION NO. 67744

DOCKET NO. E-01345A-06-0009

STAFF'S NOTICE OF ERRATA

NOTICE IS HEREBY GIVEN that Staff of the Arizona Corporation Commission is filing a revised version of the Direct Testimony of Barbara Keene which was filed on February 28, 2006. This filing includes the insertion of Table 2 which was inadvertently omitted as well as corrections to the page headers, and other formatting corrections. The testimony is being provided in both red-lined and final versions.

RESPECTFULLY SUBMITTED this 1st day of March, 2006.


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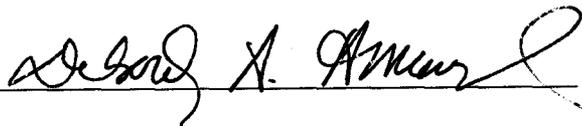
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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
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WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
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KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
AN EMERGENCY INTERIM RATE INCREASE)
AND FOR AN INTERIM AMENDMENT TO)
DECISION NO. 67744.)

DOCKET NO. E-01345A-06-0009

DIRECT
TESTIMONY
OF
BARBARA KEENE
PUBLIC UTILITIES ANALYST MANAGER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MARCH 1, 2006

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**EXECUTIVE SUMMARY
ARIZONA PUBLIC SERVICE COMPANY
EMERGENCY INTERIM RATE INCREASE
DOCKET NO. E-01345A-06-0009**

This testimony estimates the impact of Arizona Public Service Company's proposed emergency interim rate increase on the bills of its residential customers. The testimony also responds to the February 9, 2006, letter by Commissioner Mayes for estimates of the impact on bills of the rate increase approved in April 2005; the February 1, 2006, adjustor reset; APS' proposed surcharges; and the proposed general 2006 rate case.

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Barbara Keene. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Utilities Division of the Arizona Corporation Commission as a
8 Public Utilities Analyst Manager. My duties include supervising the energy portion of the
9 Telecommunications and Energy Section. A copy of my résumé is provided in Appendix
10 1.

11
12 **Q. As part of your employment responsibilities, were you assigned to review matters
13 contained in Docket No. E-01345A-06-0009?**

14 A. Yes.

15
16 **Q. What is the subject matter of your testimony?**

17 A. Staff's testimony estimates the impact of Arizona Public Service Company's ("APS")
18 proposed emergency interim rate increase on the bills of its residential customers. The
19 testimony also responds to the February 9, 2006, letter by Commissioner Mayes for
20 estimates of the impact on bills of the rate increase approved in April 2005; the February
21 1, 2006, adjustor reset; APS' proposed surcharges; and the proposed general 2006 rate
22 case.

23

1 **IMPACT OF APS' PROPOSED EMERGENCY INTERIM RATE INCREASE**

2 **Q. What did APS propose in its application for an emergency interim rate increase?**

3 A. In its application, APS proposed that the base cost of fuel and purchased power be reset to
4 \$0.031904 per kWh. In April 2005, Decision No. 67744 set the base cost at \$0.020743
5 per kWh. Therefore, the difference between the two base costs would be \$0.011161 per
6 kWh.

7
8 **Q. What is the effect of changing the base cost?**

9 A. There are actually two effects of APS' proposal. The first effect is that customer rates
10 would go up by \$0.011161 per kWh. The second effect is that future amounts being
11 deferred for recovery through APS' Power Supply Adjustor ("PSA") would be reduced
12 because of the higher base cost of fuel and purchased power.

13
14 **Impact on Customer Bills of APS' Proposal**

15 **Q. What would be the impact on customer bills of APS' proposed emergency interim**
16 **rate increase?**

17 A. As proposed by APS, rates would be increased by \$0.011161 per kWh. Although APS
18 requested the increase to be effective on April 1, 2006, the current procedural schedule
19 contemplates a Commission Decision in May 2006. As a result of the increase, the
20 average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase
21 by \$11.69 or 9.97 percent over current rates.

22

Table 1
Impact of APS-Proposed Emergency Interim Rate Increase
on Residential Customer Bills

	E-12 Bill Under Current Rates	E-12 Bill With Emergency Interim Rate Increase	Dollar Increase	Percent Increase
Summer (July)				
Average Usage (1047 kWh)	\$117.26	\$128.94	\$11.69	9.97%
Median Usage (818 kWh)	\$87.66	\$96.79	\$9.13	10.41%
Winter (December)				
Average Usage (677 kWh)	\$61.80	\$69.35	\$7.56	12.23%
Median Usage (531 kWh)	\$50.26	\$56.19	\$5.93	11.79%

Impact on the PSA of APS' Proposal

Q. Please describe the impact of APS' proposed emergency interim rate increase on the PSA.

A. APS' proposal would raise the base cost of fuel and purchased power from \$0.020743 per kWh to \$0.031904 per kWh. In the PSA Tracking Account, actual costs are compared to base costs. The annual adjustor rate calculation uses the difference between the actual costs and the base costs in the determination of the new adjustor rate. If base costs are closer to actual costs, the amount flowing into the adjustor rate calculation is smaller.

Using APS' forecasts of sales and fuel and purchased power costs for 2006, the Tracking Account balance at the end of the year would be about [REDACTED] if the base cost remains at \$0.020743 per kWh. The February 2007 adjustor rate calculation would result in the Adjustor Rate [REDACTED] and about [REDACTED] going into the Paragraph 19(d) Balancing Account. This calculation assumes that no surcharges to collect 2005 costs were approved. (See Appendix 2 for the PSA schedules.)

1 If the base cost is raised to \$0.031904 per kWh in May 2006, the Tracking Account
2 balance at the end of the year would be about [REDACTED]. The February 2007 adjustor
3 rate calculation would result in the Adjustor Rate [REDACTED] and [REDACTED]
4 going into the Paragraph 19(d) Balancing Account.

5
6 **Table 2**
7 **Impact of Change in Base Cost**
8 **on Power Supply Adjustor**
9

Base Cost	End of 2006 Tracking Account Balance	February 2007 Adjustor Rate	Carried Forward to Paragraph 19(d) Balancing Account
\$0.020743 per kWh	[REDACTED]	[REDACTED] per kWh	[REDACTED]
raised to \$0.031904 per kWh in May 2006	[REDACTED]	[REDACTED] per kWh	[REDACTED]

10
11 **BILL IMPACTS OF OTHER RATE INCREASES**

12 **Q. Please describe the impacts on customer bills of other approved or proposed rate**
13 **increases, as requested by the February 9, 2006, letter of Commissioner Mayes.**

14 **A.** The first rate increase to be discussed is the rate case increase approved by the
15 Commission in April 2005 (Decision No. 67744). Before that rate increase, the average
16 summer bill for a residential customer on E-12 (using 1,047 kWh in July) was \$108.10.
17 After the rate increase, the bill increased by \$4.97 or 4.60 percent. The average winter bill
18 for a residential customer on E-12 (using 677 kWh in December) was \$57.91 before the
19 rate increase. After the rate increase, the bill increased by \$1.18 or 2.04 percent.
20

Table 3
Impact of April 2005 Rate Case Decision
on Residential Customer Bills

	E-12 Bill Before 4/05 Rate Case Increase	E-12 Bill After 4/05 Rate Case Increase	Dollar Increase	Percent Increase
Summer (July)				
Average Usage (1,047 kWh)	\$108.10	\$113.07	\$4.97	4.60%
Median Usage (818 kWh)	\$80.64	\$84.39	\$3.75	4.65%
Winter (December)				
Average Usage (677 kWh)	\$57.91	\$59.09	\$1.18	2.04%
Median Usage (531 kWh)	\$47.11	\$48.14	\$1.03	2.19%

Q. As other rate impacts are discussed, how will the impact over time be described?

A. For each rate change, the impact on the rates current at that time will be discussed and the cumulative impact of all the rate changes that had occurred by that time will be described. The cumulative rate impacts represent the change from rates that were in effect before the April 2005 rate case decision and are listed under the heading "Cumulative Percent Increase Over pre-April 05 Rates" in the tables.

Q. Can the individual rate percent increases be added together to total a cumulative percent increase?

A. No. The rate impacts are compounded. Here is an example.

step 1. A customer bill is \$10.

step 2. A 5 percent increase makes the bill \$10.50 (5 % of \$10 = \$0.50).

step 3. Then a 4 percent increase makes the bill \$10.92 (4% of \$10.50 = \$0.42).

step 4. Compare the bill in step 3 (\$10.92) to the bill in step 1 (\$10): \$10.92 is 9.2 percent higher than \$10. This is different than simply adding 5 percent and 4 percent to total 9 percent. It is because the 4 percent is applied to \$10.50, not to \$10.

1 **Q. Please describe the next rate impact on APS' residential customers.**

2 A. The next rate impact was the resetting of the PSA adjustor rate on February 1, 2006. The
3 PSA was increased by \$0.004 per kWh. As a result, the average winter bill for a
4 residential customer on E-12 (using 677 kWh) increased by \$2.71 or 4.58 percent. The
5 cumulative percent increase including the April 2005 rate case decision was 6.71 percent
6 for winter bills and 8.47 percent for summer bills.

7
8 **Table 4**
9 **Impact of February 2006 PSA Adjustor Rate Reset**
10 **on Residential Customer Bills**
11

	E-12 Bill After 4/05 Rate Case Increase	E-12 Bill After 2/06 PSA Adjustor Rate Reset	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$113.07	\$117.26	\$4.19	3.70%	8.47%
Median Usage (818 kWh)	\$84.39	\$87.66	\$3.27	3.88%	8.71%
Winter (December)					
Average Usage (677 kWh)	\$59.09	\$61.80	\$2.71	4.58%	6.71%
Median Usage (531 kWh)	\$48.14	\$50.26	\$2.12	4.41%	6.69%

12
13 **Q. Please describe the rate impact associated with APS' proposed emergency interim**
14 **rate request.**

15 A. As proposed by APS, rates would be increased by \$0.011161 per kWh. As a result of the
16 increase, the average summer bill for a residential customer on E-12 (using 1,047 kWh)
17 would increase by \$11.69 or 9.97 percent. The cumulative percent increase, including the
18 April 2005 rate case decision and the resetting of the PSA adjustor rate, would be 19.28
19 percent for summer bills and 19.76 percent for winter bills.

Table 5
Impact of APS-Proposed May 2006 Emergency Interim Rate Increase
on Residential Customer Bills

	E-12 Bill After 2/06 PSA Adjustor Rate Reset	E-12 Bill After 5/06 Emergency Interim Rate Increase	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$117.26	\$128.94	\$11.69	9.97%	19.28%
Median Usage (818 kWh)	\$87.66	\$96.79	\$9.13	10.41%	20.03%
Winter (December)					
Average Usage (677 kWh)	\$61.80	\$69.35	\$7.56	12.23%	19.76%
Median Usage (531 kWh)	\$50.26	\$56.19	\$5.93	11.79%	19.28%

Q. Please describe the rate impact associated with the two surcharges proposed by APS in its February 2, 2006, filing.

A. The purpose of these surcharges is to recover the \$59.9 million of 2005 fuel and purchased power costs that fell outside of the \$0.004 bandwidth of the PSA and carried forward to the Paragraph 19(d) Balancing Account. As proposed by APS, the first surcharge of \$0.000554 per kWh, designed to collect \$15.3 million over 12 months, would become effective concurrent with the emergency interim rate increase that APS has requested to begin in April 2006, but would more likely begin in May 2006 if approved by the Commission.

As a result of the first surcharge, the average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase by \$0.58 or 0.45 percent. The cumulative percent increase (including the April 2005 rate case decision, the resetting of the PSA adjustor rate, and the emergency interim rate increase) would be 19.82 percent for summer bills and 20.41 percent for winter bills.

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Table 6
Impact of APS-Proposed May 2006 PSA Surcharge
on Residential Customer Bills

	E-12 Bill After 5/06 Emergency Interim Rate Increase	E-12 Bill After 5/06 PSA Surcharge	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$128.94	\$129.52	\$0.58	0.45%	19.82%
Median Usage (818 kWh)	\$96.79	\$97.24	\$0.45	0.47%	20.59%
Winter (December)					
Average Usage (677 kWh)	\$69.35	\$69.73	\$0.38	0.54%	20.41%
Median Usage (531 kWh)	\$56.19	\$56.48	\$0.29	0.52%	19.90%

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As proposed by APS, a second surcharge of \$0.001611 per kWh, designed to collect \$44.6 million over 12 months, would become effective upon completion of the Commission's inquiry into the unplanned 2005 outages at the Palo Verde Nuclear Generating Station. For this analysis, Staff assumes that the inquiry would be completed in July 2006.

As a result of the second surcharge, the average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase by \$1.69 or 1.30 percent. The cumulative percent increase (including the April 2005 rate case decision, the resetting of the PSA adjutor rate, the emergency interim rate increase, and the May 2006 PSA surcharge) would be 21.38 percent for summer bills and 22.29 percent for winter bills.

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Table 7
Impact of Second APS-Proposed 2006 PSA Surcharge
on Residential Customer Bills

	E-12 Bill After 5/06 PSA Surcharge	E-12 Bill After 2nd 2006 PSA Surcharge	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$129.52	\$131.21	\$1.69	1.30%	21.38%
Median Usage (818 kWh)	\$97.24	\$98.56	\$1.32	1.36%	22.23%
Winter (December)					
Average Usage (677 kWh)	\$69.73	\$70.82	\$1.09	1.56%	22.29%
Median Usage (531 kWh)	\$56.48	\$57.34	\$0.86	1.51%	21.72%

5
6 **Q. Please describe the potential rate impact associated with APS' proposal in its general**
7 **rate case.**

8 A. This analysis assumes that APS would receive all the revenue it requested and that the E-
9 12 rate schedule is designed as APS proposed. For this analysis, Staff assumes that rates
10 from the rate case would become effective in January 2007. At that time, the emergency
11 interim rate increase would cease because it is included in the general rate case, but the
12 PSA adjustor rate and the two PSA surcharges would remain in effect.

13
14 As a result of APS-proposed rates in the general rate case, the average winter bill for a
15 residential customer on E-12 (using 677 kWh) would increase by \$1.20 or 1.69 percent
16 over rates that include the emergency interim rate increase. The cumulative percent
17 increase (including the April 2005 rate case decision, the resetting of the PSA adjustor
18 rate, the May 2006 PSA surcharge, and the second 2006 surcharge) would be 24.37
19 percent for winter bills and 29.48 percent for summer bills.

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Table 8
Impact of 2006 General Rate Case
on Residential Customer Bills

	E-12 Bill After 2nd 2006 PSA Surcharge	E-12 Bill After 2006 General Rate Case	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$131.21	\$139.96	\$8.75	6.67%	29.48%
Median Usage (818 kWh)	\$98.56	\$103.69	\$5.13	5.20%	28.59%
Winter (December)					
Average Usage (677 kWh)	\$70.82	\$72.02	\$1.20	1.69%	24.37%
Median Usage (531 kWh)	\$57.34	\$58.28	\$0.94	1.64%	23.71%

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Q. Does this conclude Staff's testimony?

A. Yes, it does.

RESUME

BARBARA KEENE

Education

B.S. Political Science, Arizona State University (1976)
M.P.A. Public Administration, Arizona State University (1982)
A.A. Economics, Glendale Community College (1993)

Additional Training

Management Development Program - State of Arizona, 1986-1987
UPLAN Training - LCG Consulting, 1989, 1990, 1991
various seminars, workshops, and conferences on ratemaking, energy efficiency, rate design, computer skills, labor market information, training trainers, and Census products

Employment History

Arizona Corporation Commission, Utilities Division, Phoenix, Arizona: Public Utilities Analyst Manager (May 2005-present). Supervise the energy portion of the Telecommunications and Energy Section. Conduct economic and policy analyses of public utilities. Coordinate working groups of stakeholders on various issues. Prepare Staff recommendations and present testimony on electric resource planning, rate design, special contracts, energy efficiency programs, and other matters. Responsible for maintaining and operating UPLAN, a computer model of electricity supply and production costs.

Arizona Corporation Commission, Utilities Division, Phoenix, Arizona: Public Utilities Analyst V (October 2001-present), Senior Economist (July 1990-October 2001), Economist II (December 1989-July 1990), Economist I (August 1989-December 1989). Conduct economic and policy analyses of public utilities. Coordinate working groups of stakeholders on various issues. Prepare Staff recommendations and present testimony on electric resource planning, rate design, special contracts, energy efficiency programs, and other matters. Responsible for maintaining and operating UPLAN, a computer model of electricity supply and production costs.

Arizona Department of Economic Security, Research Administration, Economic Analysis Unit: Labor Market Information Supervisor (September 1985-August 1989), Research and Statistical Analyst (September 1984-September 1985), Administrative Assistant (September 1983-September 1984). Supervised professional staff engaged in economic research and analysis. Responsible for occupational employment forecasts, wage surveys, economic development studies, and over 50 publications. Edited the monthly **Arizona Labor Market Information Newsletter**, which was distributed to about 4,000 companies and individuals.

Testimony

Resource Planning for Electric Utilities (Docket No. U-0000-90-088), Arizona Corporation Commission, 1990; testimony on production costs and system reliability.

Trico Electric Cooperative Rate Case (Docket No. U-1461-91-254), Arizona Corporation Commission, 1992; testimony on demand-side management and time-of-use and interruptible power rates.

Navopache Electric Cooperative Rate Case (Docket No. U-1787-91-280), Arizona Corporation Commission, 1992; testimony on demand-side management and economic development rates.

Arizona Electric Power Cooperative Rate Case (Docket No. U-1773-92-214), Arizona Corporation Commission, 1993; testimony on demand-side management, interruptible power, and rate design.

Tucson Electric Power Company Rate Case (Docket Nos. U-1933-93-006 and U-1933-93-066) Arizona Corporation Commission, 1993; testimony on demand-side management and a cogeneration agreement.

Resource Planning for Electric Utilities (Docket No. U-0000-93-052), Arizona Corporation Commission, 1993; testimony on production costs, system reliability, and demand-side management.

Duncan Valley Electric Cooperative Rate Case (Docket No. E-01703A-98-0431), Arizona Corporation Commission, 1999; testimony on demand-side management and renewable energy.

Tucson Electric Power Company vs. Cyprus Sierrita Corporation, Inc. (Docket No. E-0000I-99-0243), Arizona Corporation Commission, 1999; testimony on analysis of special contracts.

Arizona Public Service Company's Request for Variance (Docket No. E-01345A-01-0822), Arizona Corporation Commission, 2002; testimony on competitive bidding.

Generic Proceeding Concerning Electric Restructuring Issues (Docket No. E-00000A-02-0051), Arizona Corporation Commission, 2002; testimony on affiliate relationships and codes of conduct.

Tucson Electric Power Company's Application for Approval of New Partial Requirements Service Tariffs, Modification of Existing Partial Requirements Service Tariff 101, and Elimination of Qualifying Facility Tariffs (Docket No. E-01933A-02-0345) and Application for Approval of its Stranded Cost Recovery (Docket No. E-01933A-98-0471), Arizona Corporation Commission, 2002, testimony on proposals to eliminate, modify, or introduce tariffs and testimony on the modification of the Market Generation Credit.

Arizona Public Service Company's Application for Approval of Adjustment Mechanisms (Docket No. E-01345A-02-0403), Arizona Corporation Commission, 2003, testimony on the proposed Power Supply Adjustment and the proposed Competition Rules Compliance Charge.

Generic Proceeding Concerning Electric Restructuring Issues, et al (Docket No. E-00000A-02-0051, et al), Arizona Corporation Commission, 2003-2005; Staff Report and testimony on Code of Conduct.

Arizona Public Service Company Rate Case (Docket No. E-01345A-03-0437), Arizona Corporation Commission, 2004; testimony on demand-side management, system benefits, renewable energy, the Returning Customer Direct Assignment Charge, and service schedules.

Arizona Electric Power Cooperative Rate Case (Docket No. E-01773A-04-0528), Arizona Corporation Commission, 2005; testimony on a fuel and purchased power cost adjustor, demand-side management, and rate design.

Trico Electric Cooperative Rate Case (Docket No. E-01461A-04-0607), Arizona Corporation Commission, 2005; testimony on the Environmental Portfolio Standard; demand-side management; special charges; and Rules, Regulations, and Line Extension Policies.

Arizona Public Service Company (Docket Nos. E-01345A-03-0437 and E-01345A-05-0526), Arizona Corporation Commission, 2005; testimony on the Plan of Administration of the Power Supply Adjustor.

Publications

Author of the following articles published in the *Arizona Labor Market Information Newsletter*:

- "1982 Mining Employees - Where are They Now?" - September 1984
- "The Cost of Hiring" and "Arizona's Growing Industries" - January 1985
- "Union Membership - Declining or Shifting?" - December 1985
- "Growing Industries in Arizona" - April 1986
- "Women's Work?" - July 1986
- "1987 SIC Revision" - December 1986
- "Growing and Declining Industries" - June 1987
- "1986 DOT Supplement" and "Consumer Expenditure Survey" - July 1987
- "The Consumer Price Index: Changing With the Times" - August 1987
- "Average Annual Pay" - November 1987
- "Annual Pay in Metropolitan Areas" - January 1988
- "The Growing Temporary Help Industry" - February 1988
- "Update on the Consumer Expenditure Survey" - April 1988
- "Employee Leasing" - August 1988
- "Metropolitan Counties Benefit from State's Growing Industries" - November 1988
- "Arizona Network Gives Small Firms Helping Hand" - June 1989

Major contributor to the following books published by the Arizona Department of Economic Security:

- Annual Planning Information* - editions from 1984 to 1989
- Hispanics in Transition* - 1987

(with David Berry) "Contracting for Power," *Business Economics*, October 1995.

(with Robert Gray) "Customer Selection Issues," *NRRI Quarterly Bulletin*, Spring 1998.

Reports

(with Task Force) *Report of the Task Force on the Feasibility of Implementing Sliding Scale Hookup Fees*. Arizona Corporation Commission, 1992.

Customer Repayment of Utility DSM Costs, Arizona Corporation Commission, 1995.

(with Working Group) *Report of the Participants in Workshops on Customer Selection Issues*," Arizona Corporation Commission, 1997.

"DSM Workshop Progress Report," Arizona Corporation Commission, 2004.

(with Erin Casper) "Staff Report on Demand Side Management Policy," Arizona Corporation Commission, 2005.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 1

Annual Tracking Account

Projected Year 2006 (no emergency increase)

Line No.	Month	(a) Retail ¹ Energy Sales (kWh)		(b) Wholesale ² Native Load Energy Sales (kWh)		(c) Total Native Load Energy Sales (kWh) (a + b)		(d) System ³ Book Fuel and Purchased Power Costs		(e) System Book ⁴ Off-System Sales Revenue		(f) Net Native Load Power Supply Costs (d - e)		(g) Retail ⁵ Power Supply Costs (a/c * f)		(h) Base Rate ⁷ Power Supply Revenue (a * base cost)		(i) Pre-90/10 Sharing (Over)/Under Collection (g - h)		(j) Post-90/10 Sharing (Over)/Under Collection (i * 0.9)		(k) Interest (i*rate/12)		(l) Tracking Account Balance (j+k+l)	
1	Jan.																								
2	Feb.																								
3	Mar.																								
4	Apr.																								
5	May																								
6	Jun.																								
7	Jul.																								
8	Aug.																								
9	Sep.																								
10	Oct.																								
11	Nov.																								
12	Dec.																								
13	Total																								
14	interest rate ⁶ =																								

¹ Retail energy sales under rate schedule E-36 were excluded.
² Includes traditional sales-for-resale and PacifiCorp supplemental sales.
³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36, the non-fuel Bridge PPA, ISFSI and mark-to-market accounting adjustments. Excludes net savings associated with the Sundance units and broker fees.
⁴ Includes off-system revenue less mark-to-market accounting adjustments.
⁵ The maximum annual amount that can be used for the PSA calculation is \$776,200,000. However, Decision No. 68437 allows deferral of costs in excess of the cap until this issue has been further examined in Docket No. E-01345A-06-0009.
⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.
⁷ The base cost was \$0.020743 per kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 1
Annual Tracking Account
Projected Year 2006 (with emergency increase)

Line No.	Month	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Retail ¹ Energy Sales (kWh)	Wholesale ² Native Load Energy Sales (kWh)	Total Native Load Energy Sales (kWh) (a + b)	System ³ Book Fuel and Purchased Power Costs	System Book ⁴ Off-System Sales Revenue	Net Native Load Power Supply Costs (d - e)	Retail ⁵ Power Supply Costs (a/c * f)	Base Rate ⁷ Power Supply Revenue (a * base cost)	Pre-90/10 Sharing (Over)/Under Collection (g - h)	Post-90/10 Sharing (Over)/Under Collection (i * 0.9)	Interest (i*rate/12)	Tracking Account Balance (j+k+l)
1	Jan.												
2	Feb.												
3	Mar.												
4	Apr.												
5	May												
6	Jun.												
7	Jul.												
8	Aug.												
9	Sep.												
10	Oct.												
11	Nov.												
12	Dec.												
13	Total												
14	interest rate ⁶ =												

¹ Retail energy sales under rate schedule E-36 were excluded.
² Includes traditional sales-for-resale and Pacificorp supplemental sales.
³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36, the non-fuel Bridge PPA, ISFSI and mark-to-market accounting adjustments. Excludes net savings associated with the Sundance units and broker fees.
⁴ Includes off-system revenue less mark-to-market accounting adjustments.
⁵ The maximum annual amount that can be used for the PSA calculation is \$776,200,000. However, Decision No. 68437 allows deferral of costs in excess of the cap until this issue has been further examined in Docket No. E-01345A-06-0009.
⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.
⁷ The base cost was \$0.020743 per kWh from January through April and \$0.031904 per kWh from May through December..

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
2007 PSA Adjustor Rate Calculation (with emergency increase, no surcharges)

Line			
No.	<u>PSA Adjustor Rate Calculation</u>		
1	Tracking Account Balance (from Schedule 1)		██████████
2	Annual Adjustor Account Balance (from Schedule 3)		██████████
3	Paragraph 19(d) Balancing Account Balance (from Schedule 4)		██████████
4	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3)		██████████
5	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	██████████	
6	Computed Adjustor Rate per kWh (Line 4/ Line 5)		██████████
7	Current Adjustor Rate per kWh	\$0.004000	
8	Diff. between Current Adj. Rate and Computed Adj. Rate (line 6 - line 7)	██████████	
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit	\$ 0.004000	
10	Adjustor Rate Bandwidth Lower Limit	\$ (0.004000)	
11	Applicable Adjustor Rate per kWh for February 1, 2007		██████████
12	Amount Carried Forward to Annual Adjustor Account (Line 5 * Line 11)		██████████
13	Amount Carried Forward to Paragraph 19(d) Balancing Account (Line 4 - Line 12)		██████████

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
2007 PSA Adjustor Rate Calculation (no emergency increase, no surcharges)

Line			
No.	<u>PSA Adjustor Rate Calculation</u>		
1	Tracking Account Balance (from Schedule 1)		██████████
2	Annual Adjustor Account Balance (from Schedule 3)		██████████
3	Paragraph 19(d) Balancing Account Balance (from Schedule 4)		██████████
4	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3)		██████████
5	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	██████████	
6	Computed Adjustor Rate per kWh (Line 4/ Line 5)		██████████
7	Current Adjustor Rate per kWh	\$0.004000	
8	Diff. between Current Adj. Rate and Computed Adj. Rate (line 6 - line 7)	██████████	
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit		<u>\$ 0.004000</u>
10	Adjustor Rate Bandwidth Lower Limit		<u>\$ (0.004000)</u>
11	Applicable Adjustor Rate per kWh for February 1, 2007		██████████
12	Amount Carried Forward to Annual Adjustor Account (Line 5 * Line 11)		██████████
13	Amount Carried Forward to Paragraph 19(d) Balancing Account (Line 4 - Line 12)		██████████

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3
Annual Adjustor Account
Projected Year February 2006 - January 2007

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	PSA Adjustor Rate	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000
2	Beginning Balance	\$ 109,723,888										
3	Retail Energy Sales ¹ (kWh)											
4	Less: Revenue from Adjustor Rate (line 1 * line 3)											
5	Balance before Interest (line 2 - line 4)											
6	Monthly Interest (line 5 * (4.38%/12) ²											
7	Ending Balance with Interest (line 5 + line 6)											

¹ Excludes sales from E-36, E-3, and E-4 rate schedules.

² Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 4
Paragraph 19(d) Balancing Account
Projected Year February 2006 - January 2007

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	Beginning Balance											
2	Less: Approved Balance for Surcharge (if any)											
3	Balance Less Amort. Surcharge (line 1 - line 2)											
4	Monthly Interest (line 3 * (4.38%/12) ¹											
5	Ending Balance with Interest (line 3 + line 4)											

¹ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA PUBLIC SERVICE COMPANY FOR)
AN EMERGENCY INTERIM RATE INCREASE)
AND FOR AN INTERIM AMENDMENT TO)
DECISION NO. 67744.)

DOCKET NO. E-01345A-06-0009

DIRECT
TESTIMONY
OF
BARBARA KEENE
PUBLIC UTILITIES ANALYST MANAGER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

FEBRUARY 28 MARCH 1, 2006

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**EXECUTIVE SUMMARY
ARIZONA PUBLIC SERVICE COMPANY
EMERGENCY INTERIM RATE INCREASE
DOCKET NO. E-01345A-06-0009**

This testimony estimates the impact of Arizona Public Service Company's proposed emergency interim rate increase on the bills of its residential customers. The testimony also responds to the February 9, 2006, letter by Commissioner Mayes for estimates of the impact on bills of the rate increase approved in April 2005; the February 1, 2006, adjustor reset; APS' proposed surcharges; and the proposed general 2006 rate case.

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Barbara Keene. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Utilities Division of the Arizona Corporation Commission as a
8 Public Utilities Analyst Manager. My duties include supervising the energy portion of the
9 Telecommunications and Energy Section. A copy of my résumé is provided in Appendix
10 1.

11
12 **Q. As part of your employment responsibilities, were you assigned to review matters
13 contained in Docket No. E-01345A-06-0009?**

14 A. Yes.

15
16 **Q. What is the subject matter of your testimony?**

17 A. Staff's testimony estimates the impact of Arizona Public Service Company's ("APS")
18 proposed emergency interim rate increase on the bills of its residential customers. The
19 testimony also responds to the February 9, 2006, letter by Commissioner Mayes for
20 estimates of the impact on bills of the rate increase approved in April 2005; the February
21 1, 2006, adjustor reset; APS' proposed surcharges; and the proposed general 2006 rate
22 case.

23

1 **IMPACT OF APS' PROPOSED EMERGENCY INTERIM RATE INCREASE**

2 **Q. What did APS propose in its application for an emergency interim rate increase?**

3 A. In its application, APS proposed that the base cost of fuel and purchased power be reset to
4 \$0.031904 per kWh. In April 2005, Decision No. 67744 set the base cost at \$0.020743
5 per kWh. Therefore, the difference between the two base costs would be \$0.011161 per
6 kWh.

7
8 **Q. What is the effect of changing the base cost?**

9 A. There are actually two effects of APS' proposal. The first effect is that customer rates
10 would go up by \$0.011161 per kWh. The second effect is that future amounts being
11 deferred for recovery through APS' Power Supply Adjustor ("PSA") would be reduced
12 because of the higher base cost of fuel and purchased power.

13
14 **Impact on Customer Bills of APS' Proposal**

15 **Q. What would be the impact on customer bills of APS' proposed emergency interim**
16 **rate increase?**

17 A. As proposed by APS, rates would be increased by \$0.011161 per kWh. Although APS
18 requested the increase to be effective on April 1, 2006, the current procedural schedule
19 contemplates a Commission Decision in May 2006. As a result of the increase, the
20 average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase
21 by \$11.69 or 9.97 percent over current rates.

22

Table 1
Impact of APS-Proposed Emergency Interim Rate Increase
on Residential Customer Bills

	E-12 Bill Under Current Rates	E-12 Bill With Emergency Interim Rate Increase	Dollar Increase	Percent Increase
Summer (July)				
Average Usage (1047 kWh)	\$117.26	\$128.94	\$11.69	9.97%
Median Usage (818 kWh)	\$87.66	\$96.79	\$9.13	10.41%
Winter (December)				
Average Usage (677 kWh)	\$61.80	\$69.35	\$7.56	12.23%
Median Usage (531 kWh)	\$50.26	\$56.19	\$5.93	11.79%

Impact on the PSA of APS' Proposal

Q. Please describe the impact of APS' proposed emergency interim rate increase on the PSA.

A. APS' proposal would raise the base cost of fuel and purchased power from \$0.020743 per kWh to \$0.031904 per kWh. In the PSA Tracking Account, actual costs are compared to base costs. The annual adjustor rate calculation uses the difference between the actual costs and the base costs in the determination of the new adjustor rate. If base costs are closer to actual costs, the amount flowing into the adjustor rate calculation is smaller.

Using APS' forecasts of sales and fuel and purchased power costs for 2006, the Tracking Account balance at the end of the year would be about [REDACTED] if the base cost remains at \$0.020743 per kWh. The February 2007 adjustor rate calculation would result in the Adjustor Rate [REDACTED] and about [REDACTED] going into the Paragraph 19(d) Balancing Account. This calculation assumes that no surcharges to collect 2005 costs were approved. (See Appendix 2 for the PSA schedules.)

1 If the base cost is raised to \$0.031904 per kWh in May 2006, the Tracking Account
2 balance at the end of the year would be about [REDACTED]. The February 2007 adjustor
3 rate calculation would result in the Adjustor Rate [REDACTED] and [REDACTED]
4 going into the Paragraph 19(d) Balancing Account.

5
6 **Table 2**
7 **Impact of Change in Base Cost**
8 **on Power Supply Adjustor**
9

Base Cost	End of 2006 Tracking Account Balance	February 2007 Adjustor Rate	Carried Forward to Paragraph 19(d) Balancing Account
\$0.020743 per kWh	[REDACTED]	[REDACTED] per kWh	[REDACTED]
raised to \$0.031904 per kWh in May 2006	[REDACTED]	[REDACTED] per kWh	[REDACTED]

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BILL IMPACTS OF OTHER RATE INCREASES

- Q. Please describe the impacts on customer bills of other approved or proposed rate increases, as requested by the February 9, 2006, letter of Commissioner Mayes.**
- A. The first rate increase to be discussed is the rate case increase approved by the Commission in April 2005 (Decision No. 67744). Before that rate increase, the average summer bill for a residential customer on E-12 (using 1,047 kWh in July) was \$108.10. After the rate increase, the bill increased by \$4.97 or 4.60 percent. The average winter bill for a residential customer on E-12 (using 677 kWh in December) was \$57.91 before the rate increase. After the rate increase, the bill increased by \$1.18 or 2.04 percent.

Table 3
Impact of April 2005 Rate Case Decision
on Residential Customer Bills

	E-12 Bill Before 4/05 Rate Case Increase	E-12 Bill After 4/05 Rate Case Increase	Dollar Increase	Percent Increase
Summer (July)				
Average Usage (1,047 kWh)	\$108.10	\$113.07	\$4.97	4.60%
Median Usage (818 kWh)	\$80.64	\$84.39	\$3.75	4.65%
Winter (December)				
Average Usage (677 kWh)	\$57.91	\$59.09	\$1.18	2.04%
Median Usage (531 kWh)	\$47.11	\$48.14	\$1.03	2.19%

Q. As other rate impacts are discussed, how will the impact over time be described?

A. For each rate change, the impact on the rates current at that time will be discussed and the cumulative impact of all the rate changes that had occurred by that time will be described. The cumulative rate impacts represent the change from rates that were in effect before the April 2005 rate case decision and are listed under the heading "Cumulative Percent Increase Over pre-April 05 Rates" in the tables.

Q. Can the individual rate percent increases be added together to total a cumulative percent increase?

A. No. The rate impacts are compounded. Here is an example.

step 1. A customer bill is \$10.

step 2. A 5 percent increase makes the bill \$10.50 (5 % of \$10 = \$0.50).

step 3. Then a 4 percent increase makes the bill \$10.92 (4% of \$10.50 = \$0.42).

step 4. Compare the bill in step 3 (\$10.92) to the bill in step 1 (\$10): \$10.92 is 9.2 percent higher than \$10. This is different than simply adding 5 percent and 4 percent to total 9 percent. It is because the 4 percent is applied to \$10.50, not to \$10.

1 **Q. Please describe the next rate impact on APS' residential customers.**

2 A. The next rate impact was the resetting of the PSA adjustor rate on February 1, 2006. The
3 PSA was increased by \$0.004 per kWh. As a result, the average winter bill for a
4 residential customer on E-12 (using 677 kWh) increased by \$2.71 or 4.58 percent. The
5 cumulative percent increase including the April 2005 rate case decision was 6.71 percent
6 for winter bills and 8.47 percent for summer bills.

7
8 **Table 4**
9 **Impact of February 2006 PSA Adjustor Rate Reset**
10 **on Residential Customer Bills**
11

	E-12 Bill After 4/05 Rate Case Increase	E-12 Bill After 2/06 PSA Adjustor Rate Reset	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$113.07	\$117.26	\$4.19	3.70%	8.47%
Median Usage (818 kWh)	\$84.39	\$87.66	\$3.27	3.88%	8.71%
Winter (December)					
Average Usage (677 kWh)	\$59.09	\$61.80	\$2.71	4.58%	6.71%
Median Usage (531 kWh)	\$48.14	\$50.26	\$2.12	4.41%	6.69%

12
13 **Q. Please describe the rate impact associated with APS' proposed emergency interim**
14 **rate request.**

15 A. As proposed by APS, rates would be increased by \$0.011161 per kWh. As a result of the
16 increase, the average summer bill for a residential customer on E-12 (using 1,047 kWh)
17 would increase by \$11.69 or 9.97 percent. The cumulative percent increase, including the
18 April 2005 rate case decision and the resetting of the PSA adjustor rate, would be 19.28
19 percent for summer bills and 19.76 percent for winter bills.

Table 5
Impact of APS-Proposed May 2006 Emergency Interim Rate Increase
on Residential Customer Bills

	E-12 Bill After 2/06 PSA Adjustor Rate Reset	E-12 Bill After 5/06 Emergency Interim Rate Increase	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$117.26	\$128.94	\$11.69	9.97%	19.28%
Median Usage (818 kWh)	\$87.66	\$96.79	\$9.13	10.41%	20.03%
Winter (December)					
Average Usage (677 kWh)	\$61.80	\$69.35	\$7.56	12.23%	19.76%
Median Usage (531 kWh)	\$50.26	\$56.19	\$5.93	11.79%	19.28%

Q. Please describe the rate impact associated with the two surcharges proposed by APS in its February 2, 2006, filing.

A. The purpose of these surcharges is to recover the \$59.9 million of 2005 fuel and purchased power costs that fell outside of the \$0.004 bandwidth of the PSA and carried forward to the Paragraph 19(d) Balancing Account. As proposed by APS, the first surcharge of \$0.000554 per kWh, designed to collect \$15.3 million over 12 months, would become effective concurrent with the emergency interim rate increase that APS has requested to begin in April 2006, but would more likely begin in May 2006 if approved by the Commission.

As a result of the first surcharge, the average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase by \$0.58 or 0.45 percent. The cumulative percent increase (including the April 2005 rate case decision, the resetting of the PSA adjustor rate, and the emergency interim rate increase) would be 19.82 percent for summer bills and 20.41 percent for winter bills.

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Table 6
Impact of APS-Proposed May 2006 PSA Surcharge
on Residential Customer Bills

	E-12 Bill After 5/06 Emergency Interim Rate Increase	E-12 Bill After 5/06 PSA Surcharge	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$128.94	\$129.52	\$0.58	0.45%	19.82%
Median Usage (818 kWh)	\$96.79	\$97.24	\$0.45	0.47%	20.59%
Winter (December)					
Average Usage (677 kWh)	\$69.35	\$69.73	\$0.38	0.54%	20.41%
Median Usage (531 kWh)	\$56.19	\$56.48	\$0.29	0.52%	19.90%

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As proposed by APS, a second surcharge of \$0.001611 per kWh, designed to collect \$44.6 million over 12 months, would become effective upon completion of the Commission's inquiry into the unplanned 2005 outages at the Palo Verde Nuclear Generating Station. For this analysis, Staff assumes that the inquiry would be completed in July 2006.

As a result of the second surcharge, the average summer bill for a residential customer on E-12 (using 1,047 kWh) would increase by \$1.69 or 1.30 percent. The cumulative percent increase (including the April 2005 rate case decision, the resetting of the PSA adjustor rate, the emergency interim rate increase, and the May 2006 PSA surcharge) would be 21.38 percent for summer bills and 22.29 percent for winter bills.

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Table 7
Impact of Second APS-Proposed 2006 PSA Surcharge
on Residential Customer Bills

	E-12 Bill After 5/06 PSA Surcharge	E-12 Bill After 2nd 2006 PSA Surcharge	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$129.52	\$131.21	\$1.69	1.30%	21.38%
Median Usage (818 kWh)	\$97.24	\$98.56	\$1.32	1.36%	22.23%
Winter (December)					
Average Usage (677 kWh)	\$69.73	\$70.82	\$1.09	1.56%	22.29%
Median Usage (531 kWh)	\$56.48	\$57.34	\$0.86	1.51%	21.72%

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Q. Please describe the potential rate impact associated with APS' proposal in its general rate case.

A. This analysis assumes that APS would receive all the revenue it requested and that the E-12 rate schedule is designed as APS proposed. For this analysis, Staff assumes that rates from the rate case would become effective in January 2007. At that time, the emergency interim rate increase would cease because it is included in the general rate case, but the PSA adjustor rate and the two PSA surcharges would remain in effect.

As a result of APS-proposed rates in the general rate case, the average winter bill for a residential customer on E-12 (using 677 kWh) would increase by \$1.20 or 1.69 percent over rates that include the emergency interim rate increase. The cumulative percent increase (including the April 2005 rate case decision, the resetting of the PSA adjustor rate, the May 2006 PSA surcharge, and the second 2006 surcharge) would be 24.37 percent for winter bills and 29.48 percent for summer bills.

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Table 8
Impact of 2006 General Rate Case
on Residential Customer Bills

	E-12 Bill After 2nd 2006 PSA Surcharge	E-12 Bill After 2006 General Rate Case	Dollar Increase	Percent Increase	Cumulative Percent Increase Over pre- April 05 Rates
Summer (July)					
Average Usage (1047 kWh)	\$131.21	\$139.96	\$8.75	6.67%	29.48%
Median Usage (818 kWh)	\$98.56	\$103.69	\$5.13	5.20%	28.59%
Winter (December)					
Average Usage (677 kWh)	\$70.82	\$72.02	\$1.20	1.69%	24.37%
Median Usage (531 kWh)	\$57.34	\$58.28	\$0.94	1.64%	23.71%

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Q. Does this conclude Staff's testimony?

A. Yes, it does.

RESUME

BARBARA KEENE

Education

B.S. Political Science, Arizona State University (1976)
M.P.A. Public Administration, Arizona State University (1982)
A.A. Economics, Glendale Community College (1993)

Additional Training

Management Development Program - State of Arizona, 1986-1987
UPLAN Training - LCG Consulting, 1989, 1990, 1991
various seminars, workshops, and conferences on ratemaking, energy efficiency, rate design, computer skills, labor market information, training trainers, and Census products

Employment History

Arizona Corporation Commission, Utilities Division, Phoenix, Arizona: Public Utilities Analyst Manager (May 2005-present). Supervise the energy portion of the Telecommunications and Energy Section. Conduct economic and policy analyses of public utilities. Coordinate working groups of stakeholders on various issues. Prepare Staff recommendations and present testimony on electric resource planning, rate design, special contracts, energy efficiency programs, and other matters. Responsible for maintaining and operating UPLAN, a computer model of electricity supply and production costs.

Arizona Corporation Commission, Utilities Division, Phoenix, Arizona: Public Utilities Analyst V (October 2001-present), Senior Economist (July 1990-October 2001), Economist II (December 1989-July 1990), Economist I (August 1989-December 1989). Conduct economic and policy analyses of public utilities. Coordinate working groups of stakeholders on various issues. Prepare Staff recommendations and present testimony on electric resource planning, rate design, special contracts, energy efficiency programs, and other matters. Responsible for maintaining and operating UPLAN, a computer model of electricity supply and production costs.

Arizona Department of Economic Security, Research Administration, Economic Analysis Unit: Labor Market Information Supervisor (September 1985-August 1989), Research and

Statistical Analyst (September 1984-September 1985), Administrative Assistant (September 1983-September 1984). Supervised professional staff engaged in economic research and analysis. Responsible for occupational employment forecasts, wage surveys, economic development studies, and over 50 publications. Edited the monthly **Arizona Labor Market Information Newsletter**, which was distributed to about 4,000 companies and individuals.

Testimony

Resource Planning for Electric Utilities (Docket No. U-0000-90-088), Arizona Corporation Commission, 1990; testimony on production costs and system reliability.

Trico Electric Cooperative Rate Case (Docket No. U-1461-91-254), Arizona Corporation Commission, 1992; testimony on demand-side management and time-of-use and interruptible power rates.

Navopache Electric Cooperative Rate Case (Docket No. U-1787-91-280), Arizona Corporation Commission, 1992; testimony on demand-side management and economic development rates.

Arizona Electric Power Cooperative Rate Case (Docket No. U-1773-92-214), Arizona Corporation Commission, 1993; testimony on demand-side management, interruptible power, and rate design.

Tucson Electric Power Company Rate Case (Docket Nos. U-1933-93-006 and U-1933-93-066) Arizona Corporation Commission, 1993; testimony on demand-side management and a cogeneration agreement.

Resource Planning for Electric Utilities (Docket No. U-0000-93-052), Arizona Corporation Commission, 1993; testimony on production costs, system reliability, and demand-side management.

Duncan Valley Electric Cooperative Rate Case (Docket No. E-01703A-98-0431), Arizona Corporation Commission, 1999; testimony on demand-side management and renewable energy.

Tucson Electric Power Company vs. Cyprus Sierrita Corporation, Inc. (Docket No. E-0000I-99-0243), Arizona Corporation Commission, 1999; testimony on analysis of special contracts.

Arizona Public Service Company's Request for Variance (Docket No. E-01345A-01-0822), Arizona Corporation Commission, 2002; testimony on competitive bidding.

Generic Proceeding Concerning Electric Restructuring Issues (Docket No. E-00000A-02-0051), Arizona Corporation Commission, 2002; testimony on affiliate relationships and codes of conduct.

Tucson Electric Power Company's Application for Approval of New Partial Requirements Service Tariffs, Modification of Existing Partial Requirements Service Tariff 101, and Elimination of Qualifying Facility Tariffs (Docket No. E-01933A-02-0345) and Application for Approval of its Stranded Cost Recovery (Docket No. E-01933A-98-0471), Arizona Corporation Commission, 2002, testimony on proposals to eliminate, modify, or introduce tariffs and testimony on the modification of the Market Generation Credit.

Arizona Public Service Company's Application for Approval of Adjustment Mechanisms (Docket No. E-01345A-02-0403), Arizona Corporation Commission, 2003, testimony on the proposed Power Supply Adjustment and the proposed Competition Rules Compliance Charge.

Generic Proceeding Concerning Electric Restructuring Issues, et al (Docket No. E-00000A-02-0051, et al), Arizona Corporation Commission, 2003-2005; Staff Report and testimony on Code of Conduct.

Arizona Public Service Company Rate Case (Docket No. E-01345A-03-0437), Arizona Corporation Commission, 2004; testimony on demand-side management, system benefits, renewable energy, the Returning Customer Direct Assignment Charge, and service schedules.

Arizona Electric Power Cooperative Rate Case (Docket No. E-01773A-04-0528), Arizona Corporation Commission, 2005; testimony on a fuel and purchased power cost adjustor, demand-side management, and rate design.

Trico Electric Cooperative Rate Case (Docket No. E-01461A-04-0607), Arizona Corporation Commission, 2005; testimony on the Environmental Portfolio Standard; demand-side management; special charges; and Rules, Regulations, and Line Extension Policies.

Arizona Public Service Company (Docket Nos. E-01345A-03-0437 and E-01345A-05-0526), Arizona Corporation Commission, 2005; testimony on the Plan of Administration of the Power Supply Adjustor.

Publications

Author of the following articles published in the *Arizona Labor Market Information Newsletter*:

- "1982 Mining Employees - Where are They Now?" - September 1984
- "The Cost of Hiring" and "Arizona's Growing Industries" - January 1985
- "Union Membership - Declining or Shifting?" - December 1985
- "Growing Industries in Arizona" - April 1986
- "Women's Work?" - July 1986
- "1987 SIC Revision" - December 1986
- "Growing and Declining Industries" - June 1987
- "1986 DOT Supplement" and "Consumer Expenditure Survey" - July 1987
- "The Consumer Price Index: Changing With the Times" - August 1987
- "Average Annual Pay" - November 1987
- "Annual Pay in Metropolitan Areas" - January 1988
- "The Growing Temporary Help Industry" - February 1988
- "Update on the Consumer Expenditure Survey" - April 1988
- "Employee Leasing" - August 1988
- "Metropolitan Counties Benefit from State's Growing Industries" - November 1988
- "Arizona Network Gives Small Firms Helping Hand" - June 1989

Major contributor to the following books published by the Arizona Department of Economic Security:

- Annual Planning Information* - editions from 1984 to 1989
- Hispanics in Transition* - 1987

(with David Berry) "Contracting for Power," *Business Economics*, October 1995.

(with Robert Gray) "Customer Selection Issues," *NRRI Quarterly Bulletin*, Spring 1998.

Reports

(with Task Force) *Report of the Task Force on the Feasibility of Implementing Sliding Scale Hookup Fees*. Arizona Corporation Commission, 1992.

Customer Repayment of Utility DSM Costs, Arizona Corporation Commission, 1995.

(with Working Group) *Report of the Participants in Workshops on Customer Selection Issues*," Arizona Corporation Commission, 1997.

"DSM Workshop Progress Report," Arizona Corporation Commission, 2004.

(with Erin Casper) "Staff Report on Demand Side Management Policy," Arizona Corporation Commission, 2005.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 1

Annual Tracking Account

Projected Year 2006 (no emergency increase)

Line No.	Month	(a) Retail ¹ Energy Sales (kW/h)	(b) Wholesale ² Native Load Energy Sales (kW/h)	(c) Total Native Load Energy Sales (kW/h) (a + b)	(d) System ³ Book Fuel and Purchased Power Costs	(e) System Book ⁴ Off-System Sales Revenue	(f) Net Native Load Power Supply Costs (d - e)	(g) Retail ⁵ Power Supply Costs (a/c * f)	(h) Base Rate ⁷ Power Supply Revenue (a * base cost)	(i) Pre-90/10 Sharing (Over)/Under Collection (g - h)	(j) Post-90/10 Sharing (Over)/Under Collection (i * 0.9)	(k) Interest (l * rate / 12)	(l) Tracking Account Balance (j+k+l)
1	Jan.												
2	Feb.												
3	Mar.												
4	Apr.												
5	May												
6	Jun.												
7	Jul.												
8	Aug.												
9	Sep.												
10	Oct.												
11	Nov.												
12	Dec.												
13	Total												
14	interest rate ⁶ =												

¹ Retail energy sales under rate schedule E-36 were excluded.

² Includes traditional sales-for-resale and PacifiCorp supplemental sales.

³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36, the non-fuel Bridge PPA, ISFSI and mark-to-market accounting adjustments. Excludes net savings associated with the Sundance units and broker fees.

⁴ Includes off-system revenue less mark-to-market accounting adjustments.

⁵ The maximum annual amount that can be used for the PSA calculation is \$776,200,000. However, Decision No. 68437 allows deferral of costs in excess of the cap until this issue has been further examined in Docket No. E-01345A-06-0009.

⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

⁷ The base cost was \$0.020743 per kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 1
Annual Tracking Account
Projected Year 2006 (with emergency increase)

Line No.	Month	(a) Retail ¹ Energy Sales (kWh)	(b) Wholesale ² Native Load Energy Sales (kWh)	(c) Total Native Load Energy Sales (kWh) (a + b)	(d) System ³ Book Fuel and Purchased Power Costs	(e) System Book ⁴ Off-System Sales Revenue	(f) Net Native Load Power Supply Costs (d - e)	(g) Retail ⁵ Power Supply Costs (a/c * f)	(h) Base Rate ⁷ Power Supply Revenue (a * base cost)	(i) Pre-90/10 Sharing (Over)/Under Collection (g - h)	(j) Post-90/10 Sharing (Over)/Under Collection (i * 0.9)	(k) Interest (i * rate/12)	(l) Tracking Account Balance (j+k+l)
1	Jan.												
2	Feb.												
3	Mar.												
4	Apr.												
5	May												
6	Jun.												
7	Jul.												
8	Aug.												
9	Sep.												
10	Oct.												
11	Nov.												
12	Dec.												
13	Total												
14	interest rate ⁶ =												

¹ Retail energy sales under rate schedule E-36 were excluded.
² Includes traditional sales-for-resale and PacifiCorp supplemental sales.
³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36, the non-fuel Bridge PPA, ISFSI and mark-to-market accounting adjustments. Excludes net savings associated with the Sundance units and broker fees.
⁴ Includes off-system revenue less mark-to-market accounting adjustments.
⁵ The maximum annual amount that can be used for the PSA calculation is \$776,200,000. However, Decision No. 68437 allows deferral of costs in excess of the cap until this issue has been further examined in Docket No. E-01345A-06-0009.
⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.
⁷ The base cost was \$0.020743 per kWh from January through April and \$0.031904 per kWh from May through December..

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
2007 PSA Adjustor Rate Calculation (with emergency increase, no surcharges)

Line			
No.	PSA Adjustor Rate Calculation		
1	Tracking Account Balance (from Schedule 1)		██████████
2	Annual Adjustor Account Balance (from Schedule 3)		██████████
3	Paragraph 19(d) Balancing Account Balance (from Schedule 4)		██████████
4	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3)		██████████
5	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	██████████	
6	Computed Adjustor Rate per kWh (Line 4/ Line 5)		██████████
7	Current Adjustor Rate per kWh	\$0.004000	
8	Diff. between Current Adj. Rate and Computed Adj. Rate (line 6 - line 7)	██████████	
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit	\$ 0.004000	
10	Adjustor Rate Bandwidth Lower Limit	\$ (0.004000)	
11	Applicable Adjustor Rate per kWh for February 1, 2007		██████████
12	Amount Carried Forward to Annual Adjustor Account (Line 5 * Line 11)		██████████
13	Amount Carried Forward to Paragraph 19(d) Balancing Account (Line 4 - Line 12)		██████████

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
2007 PSA Adjustor Rate Calculation (no emergency increase, no surcharges)

Line			
No.	PSA Adjustor Rate Calculation		
1	Tracking Account Balance (from Schedule 1)		██████████
2	Annual Adjustor Account Balance (from Schedule 3)		██████████
3	Paragraph 19(d) Balancing Account Balance (from Schedule 4)		██████████
4	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3)		██████████
5	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	██████████	
6	Computed Adjustor Rate per kWh (Line 4/ Line 5)		██████████
7	Current Adjustor Rate per kWh	\$0.004000	
8	Diff. between Current Adj. Rate and Computed Adj. Rate (line 6 - line 7)	██████████	
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit		<u>\$ 0.004000</u>
10	Adjustor Rate Bandwidth Lower Limit		<u>\$ (0.004000)</u>
11	Applicable Adjustor Rate per kWh for February 1, 2007		██████████
12	Amount Carried Forward to Annual Adjustor Account (Line 5 * Line 11)		██████████
13	Amount Carried Forward to Paragraph 19(d) Balancing Account (Line 4 - Line 12)		██████████

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3
Annual Adjustor Account
Projected Year February 2006 - January 2007

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000	\$ 0.004000
2	\$ 109,723,888											
3												
4												
5												
6												
7												

¹ Excludes sales from E-36, E-3, and E-4 rate schedules.

² Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 4
Paragraph 19(d) Balancing Account
Projected Year February 2006 - January 2007

Line No.	February	March	April	May	June	July	August	September	October	November	December	January
1	Beginning Balance											
2	Less: Approved Balance for Surcharge (if any)											
3	Balance Less Amort. Surcharge (line 1 - line 2)											
4	Monthly Interest (line 3 * (4.38%/12) ¹											
5	Ending Balance with Interest (line 3 + line 4)											

¹ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.