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7 Attorneys for Southwest Energy Efficiency Project
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9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 JEFF HATCH-MILLER, CHARIMAN
11 WILLIAM A. MUNDELL
12 MIKE GLEASON
13 KRISTIN K. MAYES
14 BARRY WONG

15 IN THE MATTER OF THE APPLICATION OF
16 ARIZONA PUBLIC SERVICE COMPANY FOR
17 A HEARING TO DETERMINE THE FAIR
18 VALUE OF THE UTILITY PROPERTY OF THE
19 COMPANY FOR RATEMAKING PURPOSES,
20 TO FIX A JUST AND REASONABLE RATE OF
21 RETURN THEREON, TO APPROVE RATE
22 SCHEDULES DESIGNED TO DEVELOP SUCH
23 RETURN, AND TO AMEND DECISION NO.
24 67744

Docket No. E-01345A-05-0816
E-01345A-05-0826
E-01345A-05-0827

**NOTICE OF FILING
TESTIMONY SUMMARY**

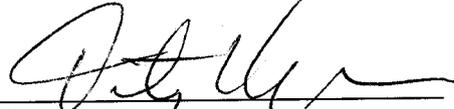
25 Western Resource Advocates, through its undersigned counsel, hereby provides notice
that it has this day filed the testimony summary of David Berry in connection with the above-
captioned matter.

Arizona Corporation Commission
DOCKETED
OCT 20 2006

DOCKETED BY *NR*

1 DATED this 20th day of October, 2006.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

4 By 

5 Timothy M. Hogan
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8 Attorneys for Southwest Energy
9 Efficiency and Western Resource
10 Advocates

11 ORIGINAL and 13 COPIES of
12 the foregoing filed this 20th day
13 of October, 2006, with:

14 Docketing Supervisor
15 Docket Control
16 Arizona Corporation Commission
17 1200 W. Washington
18 Phoenix, AZ 85007

19 COPIES of the foregoing
20 transmitted electronically
21 this 20th day of October, 2006, to:

22 All Parties of Record

23 
24
25

**Summary of Testimony of
David Berry
Western Resource Advocates
Docket Nos. E-01345A-05-0816, E-10345A-05-0826, E-01345A-05-0827**

This summary covers my direct and surrebuttal testimony concerning: demand side management (DSM) to reduce the urban heat island effect, green power, renewable energy, the Environmental Improvement Charge (EIC), and a climate change management plan and commitment for APS.

1. **DSM to reduce to the urban heat island effect.** A major contributor to APS' peak load is the urban heat island effect. WRA and APS appear to agree that a DSM program to help reduce the urban heat island effect is beneficial and should be carried out within the existing non-residential DSM programs as a custom project. I recommend that the Commission direct APS to develop this program, with the active participation of the DSM Collaborative, as quickly as possible and not to wait for unspecified studies to be completed by Arizona State University. There is already extensive research on the design, costs, and effectiveness of urban heat island reduction programs using shade trees, cool roofs, and cool pavements.
2. **Green power.** I recommend approval of APS' green power tariff as revised in APS' rebuttal testimony and rejoinder testimony, but with two modifications:
 - a. As proposed by APS, once the green power tariff goes into effect, the price premium for green power does not change even if renewable energy becomes less costly than the conventional energy it avoids. APS should have a single set of green power tariffs which are revised annually as avoided costs and the mix of renewable energy resources change over time. Thus, the green power premium would vary and could be positive or negative, depending on the relative cost of the renewable energy and APS' avoided conventional generation cost. In years when the avoided cost of conventional generation is high, customers may pay less for renewable energy.
 - b. The green power percent schedule allows residential and non-residential customers to obtain 100%, 50%, 35%, or 10% of their kWh as green power. However, the 10% option for residential customers may conflict with Green-e standards which require a 25% minimum. The green power percent schedule should therefore be modified so as to apply the 10% option only to non-residential customers.
3. **Renewable energy.** APS and its ratepayers face virtually unlimited cost exposure over the long run because of APS' heavy reliance on natural gas. Natural gas prices over the next 20 to 30 years are unpredictable, but they have been high in the past few years and are a major cause of APS' recent and proposed rate increases. I recommend that APS be directed to acquire additional renewable energy as a hedge against high natural gas prices in the future. In particular, I recommend that the Commission direct APS to acquire 1,300 GWH per year of low cost, stably priced renewable energy under long term contracts starting within the period 2008 through

2010 and continuing for at least 15 years.¹ This renewable energy, when combined with APS' commitments under Decision No. 67744, would displace about one quarter of APS' gas consumption over the next few years. I also recommend that APS include in regular reports to the Commission a detailed description of any problems encountered in acquiring renewable energy as a hedge against high fossil fuel prices and that APS propose solutions to those problems. The Commission would review APS' reports and set a course of action for APS to deal with any problems.

4. **Environmental Improvement Charge.** WRA supports APS' proposed EIC. It is in the public interest to reduce the environmental impacts of power generation and for APS to accelerate environmental improvements and to go beyond mandated pollution control levels. Conversely, it is not in the public interest to impede APS' practical and forward-looking efforts to reduce environmental impacts by making cost recovery uncertain or onerous. As non-traditional issues affecting electric service emerge, it is appropriate for the Commission to develop creative means to both protect the interests of ratepayers and foster environmental improvements.
5. **Climate change management plan and commitment.** Global climate change is a critical environmental issue and will remain so for many decades. APS' carbon dioxide emissions contribute to increased atmospheric concentrations of greenhouse gases and expose APS and its ratepayers to the costs of complying with future greenhouse gas emission regulations. The Commission should direct APS to prepare, with public input obtained in a collaborative process, a climate change management plan, a carbon emission reduction study, and a climate change commitment and action plan, and deliver the plans and studies to the Commission within 18 months of the Commission's decision in this case. The Commission should review the plans and studies and approve, approve with modifications, or disapprove APS' plans. If the Commission disapproves the plans it should provide direction on how to proceed with climate change risk management and associated cost recovery.

In addition, if APS acquires any new supply side resources before the Commission has approved the climate change plans and analyses describe above, I recommend a three step process. First, APS should fully evaluate the potential costs of complying with greenhouse gas emission requirements or similar requirements that may be imposed by government for each resource that it considers. Second, no more than 30 days after committing to any new resources, APS should file with the Commission its evaluation of its potential cost exposure associated with future greenhouse gas emission requirements, its analysis of the of resource options considered, and the reasons for selecting the winning resources. Third, at the time APS requests recovery of the costs of complying with any greenhouse gas emission requirements applicable to those resources or costs of voluntary emission reduction goals, the Commission should consider the prudence of APS' selection of the resources by reviewing APS' evaluation of the potential compliance costs at the time it evaluated its resource options and selected specific resources.

¹ The recommended new renewable energy is in addition to that obtained in compliance with Decision No. 67744.