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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

2006 NOV 15 P 3:52
AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN, AND TO AMEND DECISION NO. 67744.

DOCKET NO. E-01345A-05-0816

IN THE MATTER OF THE INQUIRY INTO THE FREQUENCY OF UNPLANNED OUTAGES DURING 2005 AT PALO VERDE NUCLEAR GENERATING STATION, THE CAUSES OF THE OUTAGES, THE PROCUREMENT OF REPLACEMENT POWER AND THE IMPACT OF THE OUTAGES ON ARIZONA PUBLIC SERVICE COMPANY'S CUSTOMERS.

DOCKET NO. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE FUEL AND PURCHASED POWER PRACTICES AND COSTS OF THE ARIZONA PUBLIC SERVICE COMPANY.

DOCKET NO. E-01345A-05-0827

STAFF'S NOTICE OF FILING

Staff of the Arizona Corporation Commission hereby provides notice of filing the Testimony Summary of Matthew J. Rowell in the above-referenced matter.

RESPECTFULLY SUBMITTED this 15th day of November, 2006.

Arizona Corporation Commission
DOCKETED
NOV 15 2006

DOCKETED BY [Signature]

Janet Wagner
Christopher C. Kempley, Chief Counsel
Janet Wagner, Senior Staff Counsel
Charles Hains, Attorney
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

1 Original and 17 copies of the foregoing filed
this 15th day of November, 2006 with:

2 Docket Control
3 Arizona Corporation Commission
4 1200 West Washington
Phoenix, AZ 85007

5
6 Copy of the foregoing mailed this
15th day of November, 2006 to:

7
8 Deborah R. Scott
9 Kimberly A. Grouse
SNELL & WILMER
10 One Arizona Center
400 East Van Buren Street
Phoenix, AZ 85004-2202

11
12 Thomas L. Mumaw
13 Karilee S. Ramaley
PINNACLE WEST CAPITAL
CORPORATION
14 Post Office Box 53999, MS 8695
Phoenix, AZ 85072-3999

15
16 C. Webb Crockett
17 Patrick J. Black
FENNEMORE CRAIG, P.C.
3003 North Central Avenue, Suite 2600
18 Phoenix, AZ 85012-2913

19
20 Michelle Livengood
UniSource Energy Services
One South Church Street, Suite 200
21 Tucson, AZ 85702

22
23 Donna M. Bronski
Deputy City Attorney
City Attorney's Office
3939 North Drinkwater Boulevard
24 Scottsdale, AZ 85251

25
26 George Bien-Willner
3641 North 39th Avenue
Phoenix, AZ 85014

Michael W. Patten
J. Matthew Derstine
Laura E. Sixkiller
ROSHKA DEWULF & PATTEN, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, AZ 85004

Michael L. Kurtz
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Scott S. Wakefield
RUCO
1110 West Washington Street, Suite 220
Phoenix, AZ 85007

Lawrence V. Robertson, Jr.
Post Office Box 1448
Tubac, AZ 85646

Bill Murphy
Murphy Consulting
5401 North 25th Street
Phoenix, AZ 85016

Andrew W. Bettwy
Karen S. Haller
Assistants General Counsel
Legal Affairs Department
5241 Spring Mountain Road
Las Vegas, NV 89150

1 Amanda Ormond
2 The Ormond Group LLC
3 Southwest Representative
4 Interwest Energy Alliance
5 7650 South McClintock, Suite 103-282
6 Tempe, AZ 85284
7
8 Joseph Knauer, President
9 Jewish Community of Sedona
10 and the Verde Valley
11 100 Meadowlark Drive
12 Post Office Box 10242
13 Sedona, AZ 86339-8242
14
15 David C. Kennedy, Esq.
16 818 East Osborn Road, Suite 103
17 Phoenix, AZ 85014
18
19 S. David Childers, Esq.
20 LOW & CHILDERS
21 2999 North 44th Street, Suite 250
22 Phoenix, AZ 85018
23
24 Tracy Spoon
25 Sun City Taxpayers Association
26 12630 North 103rd Avenue, Suite 144
27 Sun City, AZ 85351
28
29 Tammie Woody
30 10825 West Laurie Lane
31 Peoria, AZ 85345
32
33 Douglas V. Fant
34 Law Offices of Douglas V. Fant
35 3655 West Anthem Drive, Suite A-109
36 Anthem, AZ 85086
37
38 Walter W. Meek, President
39 Arizona Utility Investors Association
40 2100 North Central Avenue, Suite 210
41 Phoenix, AZ 85004
42
43 Sein Seitz, President
44 Arizona Solar Energy Industries Association
45 3008 North Civic Center Plaza
46 Scottsdale, AZ 85251
47
48

Dan Austin
Comverge, Inc.
6509 West Frye Road, Suite 4
Chandler, AZ 85226

Timothy M. Hogan
Arizona Center for Law in the Public Interest
202 East McDowell Road, Suite 153
Phoenix, AZ 85004

Jay I. Moyes
Moyes Storey Ltd.
1850 North Central Avenue, Suite 110
Phoenix, AZ 85004

Kenneth R. Saline, P.E.
K.R. Saline & Assoc., PLC
160 North Pasadena, Suite 101
Mesa, AZ 85201

Robert W. Geake
Vice President and General Counsel
Arizona Water Company
Post Office Box 29006
Phoenix, AZ 85038-9006

Lieutenant Colonel Karen S. White
Chief, Air Force Utility Litigation Team
AFLSA/JACL-ULT
139 Barnes Drive
Tyndall AFB, FL 32403

Greg Patterson
Arizona Competitive Power Alliance
916 West Adams Street, Suite 3
Phoenix, AZ 85007

Jim Nelson
12621 North 17th Place
Phoenix, AZ 85022

Barbara Klemstine
Brian Brumfield
Arizona Public Service
Post Office Box 53999, MS 9708
Phoenix, AZ 85072-3999

1 Jon Poston
2 AARP Electric Rate Project
3 6733 East Dale Lane
4 Cave Creek, AZ 85331

4 Coralette Hannon
5 AARP Government Relations & Advocacy
6 6705 Reedy Creek Road
7 Charlotte, NC 28215

8 Roseann Corio

9

10

11

12

13

14

15

16

17

18

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SUMMARY OF TESTIMONY
STAFF WITNESS
Matthew Rowell

ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-05-0816

Direct Testimony:

Staff is recommending that the Commission not adopt APS' proposed Environmental Improvement Charge for the following reasons:

- The EIC would collect revenues from ratepayers based predominantly upon estimated rather than incurred costs.
- The EIC appears to be unique.
- The EIC would include costs that will not be incurred for several years beyond the Test Year.
- The EIC would include funding for projects before they are mandated to be installed on APS' system.
- Regulatory mandates typically build in construction lead times to provide industry sufficient time to comply with mandated regulatory requirements.
- The EIC is derived based upon multiple year revenue requirements that increase the complexity of auditing the charge in the context of future general rate cases and annual EIC reset proceedings.
- The effect of the EIC on APS' interest expense is unclear.
- The annual reset of the EIC could be implemented without Commission approval under APS' proposal.
- The EIC does not address the fundamental financial challenges that APS has identified.
- The environmental impact of implementing the EIC is unclear.

Surrebuttal Testimony:

Staff's surrebuttal testimony on the EIC provides minor clarifications of Staff's position in response to the rebuttal testimonies of APS witnesses Mr. Fox and Mr. DeLizio.