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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2006 NOV 20 P 3:23

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

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 Barbara Keene in the above-referenced matter.

RESPECTFULLY SUBMITTED this 20th day of November, 2006.

Arizona Corporation Commission

DOCKETED

NOV 20 2006

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Summary of Testimony of Staff Witness Barbara Keene
Arizona Public Service Company
Docket Nos. E-01345-05-0816, E-01345A-05-0826, E-01345A-05-0827

Staff's direct testimony makes recommendations regarding funding for renewable resources, net metering, and green pricing tariffs. Those recommendations are the following:

1. The amount for renewables in System Benefits should continue to be \$6,000,000.
2. The Environmental Portfolio Standard (EPS) adjustor rate and caps should be increased to recover an additional \$4.25 million for the EPS Credit Purchase Program.
3. The proposed net metering tariff, EPR-5, should be approved with the following modifications:
 - a. A bi-directional meter should not be required.
 - b. The limit on facility size should be increased to 100 kW.
 - c. The participation of customers should not be limited by rate schedule.
 - d. In the definition of Pilot Program, the phrase "with Commission approval" should be added to the end of the sentence that indicates that APS reserves the right to modify the rate schedule.
4. Green Power Block Schedule (GPS-1) and Green Power Percent Schedule (GPS-2) should be approved as proposed by APS.

The testimony also responds to Commissioner Mayes' July 17, 2006, letter regarding the Renewable Energy Standard and Tariff.

Staff's direct testimony on rate design recommends the following:

1. The EPS adjustor rate and caps should be increased to recover an additional \$4.25 million for the EPS Credit Purchase Program.
2. The EPS adjustor rate should be set at \$0.001392 per kWh with monthly caps per service of \$0.56 for residential customers, \$20.68 for non-residential customers, and \$62.04 for non-residential customers with demands of 3,000 kW or more.
3. The \$17,639,421 associated with Palo Verde outages that Staff, in the direct testimony of William Jacobs, has recommended to be disallowed should be removed from the Paragraph 19(d) Balancing Account and not be recovered from ratepayers. The exact amount of the disallowance would have to be determined at the time of the Decision because interest would continue to accrue until the effective date of the Decision.

4. APS should be allowed to recover the remaining balance in the Paragraph 19(d) Balancing Account through a surcharge. The surcharge rate would be about \$0.001029 per kWh, assuming that the amount to be recovered would be amortized over one year. However, the final surcharge rate will depend on how much interest has accrued by the time of the Decision in this case and on updated forecasts of kWh sales.

Staff's surrebuttal testimony addresses new rate schedules proposed by APS in its rebuttal testimony.