

ORIGINAL



0000064506

BEFORE THE ARIZONA CORPORATION COMMISSION

325

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 20<sup>th</sup> day of November, 2006.

Arizona Corporation Commission  
**DOCKETED**  
NOV 20 2006

DOCKETED BY

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  
2 this 20<sup>th</sup> day of November, 2006 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, AZ 85007

7 Copy of the foregoing mailed this  
8 20<sup>th</sup> day of November, 2006 to:

9 Deborah R. Scott  
10 Kimberly A. Grouse  
11 SNELL & WILMER  
12 One Arizona Center  
13 400 East Van Buren Street  
14 Phoenix, AZ 85004-2202

15 Thomas L. Mumaw  
16 Karilee S. Ramaley  
17 PINNACLE WEST CAPITAL  
18 CORPORATION  
19 Post Office Box 53999, MS 8695  
20 Phoenix, AZ 85072-3999

21 C. Webb Crockett  
22 Patrick J. Black  
23 FENNEMORE CRAIG, P.C.  
24 3003 North Central Avenue, Suite 2600  
25 Phoenix, AZ 85012-2913

26 Michelle Livengood  
27 UniSource Energy Services  
28 One South Church Street, Suite 200  
Tucson, AZ 85702

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

George Bien-Willner  
3641 North 39<sup>th</sup> 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 25<sup>th</sup> 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 Original and 17 copies of the foregoing filed  
2 this 17<sup>th</sup> day of November, 2006 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, AZ 85007

7 Copy of the foregoing mailed this  
8 17<sup>th</sup> day of November, 2006 to:

9 Deborah R. Scott  
10 Kimberly A. Grouse  
11 SNELL & WILMER  
12 One Arizona Center  
13 400 East Van Buren Street  
14 Phoenix, AZ 85004-2202

15 Thomas L. Mumaw  
16 Karilee S. Ramaley  
17 PINNACLE WEST CAPITAL  
18 CORPORATION  
19 Post Office Box 53999, MS 8695  
20 Phoenix, AZ 85072-3999

21 C. Webb Crockett  
22 Patrick J. Black  
23 FENNEMORE CRAIG, P.C.  
24 3003 North Central Avenue, Suite 2600  
25 Phoenix, AZ 85012-2913

26 Michelle Livengood  
27 UniSource Energy Services  
28 One South Church Street, Suite 200  
Tucson, AZ 85702

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

George Bien-Willner  
3641 North 39<sup>th</sup> 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 25<sup>th</sup> 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  
The Ormond Group LLC  
2 Southwest Representative  
Interwest Energy Alliance  
3 7650 South McClintock, Suite 103-282  
Tempe, AZ 85284  
4  
5 Joseph Knauer, President  
Jewish Community of Sedona  
6 and the Verde Valley  
100 Meadowlark Drive  
7 Post Office Box 10242  
Sedona, AZ 86339-8242  
8  
9 David C. Kennedy, Esq.  
818 East Osborn Road, Suite 103  
10 Phoenix, AZ 85014  
11 S. David Childers, Esq.  
LOW & CHILDERS  
12 2999 North 44<sup>th</sup> Street, Suite 250  
Phoenix, AZ 85018  
13  
14 Tracy Spoon  
Sun City Taxpayers Association  
15 12630 North 103<sup>rd</sup> Avenue, Suite 144  
Sun City, AZ 85351  
16  
17 Tammie Woody  
10825 West Laurie Lane  
18 Peoria, AZ 85345  
19 Douglas V. Fant  
Law Offices of Douglas V. Fant  
20 3655 West Anthem Drive, Suite A-109  
Anthem, AZ 85086  
21  
22 Walter W. Meek, President  
Arizona Utility Investors Association  
23 2100 North Central Avenue, Suite 210  
Phoenix, AZ 85004  
24  
25 Sein Seitz, President  
Arizona Solar Energy Industries Association  
26 3008 North Civic Center Plaza  
Scottsdale, AZ 85251  
27  
28

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 17<sup>th</sup> 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 Osorio

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

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.