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December 18, 2006

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR
AUTHORIZATION
DOCKET NO. E-01 345A-06-0464

Dear Sir or Madam:

Enclosed is the Distributed Energy Association of Arizona ("DEAA") Direct Testimony of
Robert Baltes for Docket No. E-01345A-06-0464 in opposition to the pending application.

Sincerely,

*Distributed Energy Association of Arizona
C/O Robert T. Baltes, President
9601 N. 19th Street
Phoenix, AZ 85020
602-677-7388
rbaltes@cox.net*

Arizona Corporation Commission
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DOCKETED BY

1 SETTLEMENT AGREEMENT
2 DIRECT TESTIMONY OF ROBERT T. BALTES ON BEHALF OF THE
3 DISTRIBUTED ENERGY ASSOCIATION OF ARIZONA.
4 (DOCKET No. E-01345A-06- 0464)

5
6 December 18, 2006

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9 INTRODUCTION AND SUMMARY

10
11 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS

12 A. My name is Robert T. Baltes, and my business address is 9601 N.19th Street, Phoenix,
13 AZ 85020.

14
15 Q. BY WHO ARE YOU EMPLOYED AND WHOM DO YOU REPRESENT IN YOUR
16 TESTIMONY?

17 A. I am an individual and I am working on behalf of the Arizona Cogeneration Assn,
18 (AzCA), and DBA Distributed Energy Association of Arizona (DEAA).

19
20 Q. WOULD YOU PROVIDE SOME INFORMATION ON THE DEAA AND
21 DESCRIBE THEIR INTEREST IN THIS PROCEEDING?

22 A. The DEAA is a nonprofit coalition of interested parties organized for exchanging
23 information on distributed generation and advocating for policies that permit safe,
24 reliable and economically viable use of distributed types of generation. DEAA members
25 represent utilities customers, gas and electric utilities, environmental consultants,
26 developers and energy industry consultants. DEAA has interest in this proceeding due to
27 the impact the proposed changes would have on customers in terms of their ability to
28 effectively implement and derive economic and operational benefits from a wide range of
29 distributed generation (DG) alternatives in Arizona.

30

1 Q. WOULD YOU DISCUSS YOUR EDUCATIONAL BACKGROUND AND
2 BUSINESS EXPERIENCE?

3 A. I attended schools in Wisconsin and received a BS degree in electrical engineering
4 from the University of Wisconsin in 1961. I have been taking courses at the University
5 of Phoenix in their masters of business administration program. I founded
6 Baltes/Valentino, Ltd (including predecessor companies) in 1972, which was sold in
7 2002. I became interested in Energy issues and Cogeneration in 1968 while working for
8 an Iowa consulting engineering company. During the years at BVA, I designed many
9 Cogeneration facilities that operated in Arizona such as the Phoenician Resort's system.
10 I remain a Certified Cogeneration Professional and a Registered Professional Engineer
11 while I continue to educate people that are interested in alternative energy, and especially
12 'Renewable Energy' alternatives. I presently serve as President of the Distributed Energy
13 Association of AZ (DEAA). I am a past Chairman of the Cogeneration Committee for the
14 American Consulting Engineers Council (ACEA) and a founding member of the Arizona
15 Cogeneration Association (ACA). Also, I served on the AZ Technical Board of
16 Registration. I provided energy information consultation services for businesses,
17 governmental, and educational organizations including: The Arizona Department of
18 Administration, Arizona Corporation Commission, Arizona State University, Northern
19 Arizona University, Arizona Western College, Maricopa Community Colleges, City of
20 Phoenix and ADOT.

21

22 Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR
23 DIRECTION?

24 A. Yes.

25

26 Q. WOULD YOU SUMMARIZE YOUR TESTIMONY?

27 A. My testimony focuses on the necessity for a fair and equitable resolution herein
28 concerning Distributed Generation (DG). DEAA and its members are within the scope of
29 our competitive suppliers of electric power intended to be benefited by the provisions of
30 the APS rate case Settlement Agreement, which the Commission approved (with certain

1 modifications) in Decision No. 67744. In that regard, Article IX specifically provides
2 that distributed generation entities shall be afforded the opportunity to participate in
3 various competitive power procurements (or RFPs) to be conducted from 2005 forward.
4 Accordingly, DEAA and its members could be directly and substantially affected by
5 proceedings in which the Commission has occasion to interpret and apply the provisions
6 of Article IX of the Settlement Agreement, and related provisions of Decision No. 67744.

7 This proceeding is of such a nature. In responding to the request set forth in
8 APS's July 13, 2006 Application, the Commission will be required to interpret and apply
9 the provisions of Sections 74 and 75 of the Settlement Agreement, which contain the
10 possibility of an "exception" to the moratorium which exists on APS's self-building or
11 acquisition of electric generating facilities until 2015. That "exception" possibility
12 includes the types of RFPs in which DEAA's members might seek to compete.
13 Therefore, DEAA and its members could be directly and substantially affected by a
14 decision issued by the Commission in this proceeding. DEAA requests the ACC to
15 require APS to fulfill its agreement, which requires APS to not self-build additional
16 power supplies through 2015.

17

18 Q. WHAT OTHER ISSUES TROUBLE DEAA CONCERNING APS'S REQUEST?

19 A. If the commission were to grant APS their request herein there may be precedents for
20 APS to request a reversal of other portions of the order. One portion of the order that
21 affects DG is the Environmental Portfolio Standard and other Renewables Programs on
22 Page 23 of the Opinion and Order. The precedents being set, what would stop APS from
23 requesting self-build of all or most of this section?

24 A second issue in like manner, APS could request a reversal of the DG portion of the
25 REST Rules Decision 69127 where DG represents 30% of the program.

26

27 Q. WHAT DOES YOUR ORGANIZATION WANT FROM THIS HEARING?

28 A. DEAA wants the ACC to require APS to fulfill its agreement, which requires APS
29 will not self-build additional power supplies through 2015.

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2 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

3 A. Yes.

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