



OPEN MEETING AGENDA ITEM

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Barbara Klemstine
Director
Regulation & Pricing

Tel. 602-250-4563
Fax 602-250-3003
e-mail Barbara.Klemstine@aps.com

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999

June 15, 2007

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

RE: APS General Rate Case, Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

Dear Sir or Madame:

Attached please find Arizona Public Service Company's (APS) response to Commissioner Mayes' request at the Open Meeting June 14, 2007, to provide evidence related to cost management activities and the costs of growth.

Sincerely,

Barbara Klemstine
Director
Regulation & Pricing

BK/dst

Attachments

CC: Parties of Record

Arizona Corporation Commission
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RESPONSE TO REQUEST FROM COMMISSIONER MAYES FOR EVIDENCE RELATED TO COST MANAGEMENT ACTIVITIES AND THE COSTS OF GROWTH

Testimony, Transcripts and Reports:

1. BRANDT, DONALD
 - a. Rebuttal Testimony – Hedging Discussion (APS Exhibit No. 5 pp. 40-41)
 - b. Transcript – APS Exhibit 77 Discussion (Transcript Vol. IV, 10/13/2006, pp. 783-785)
 - c. Transcript – APS Exhibit 77 Discussion (Transcript Vol. XXIV, 12/05/2006, pp. 4506-4517, 4634-4636, 4766-4767)
 - d. Transcript – APS Exhibit 27 Discussion (Transcript Vol. XXIV, 12/05/2006, pp. 4533-4535, 4766-4767)
2. WHEELER, STEVE
 - a. Direct Testimony – Construction Growth Discussion (APS Exhibit No. 1 p. 17)
 - b. Rebuttal Testimony – Lobbying Costs (APS Exhibit No. 2 pp. 23-24)
 - c. Rejoinder Testimony – Cost Management Practices (APS Exhibit No. 3 p. 11)
 - d. Transcript – Rate Stabilization Concept and Cost Reduction Activities (Transcript Vol. II, 10/11/2006, pp. 296-306, 346-348)
3. DENMAN, JOHN
 - a. Rebuttal Testimony – Fuel Procurement Process (APS Exhibit No. 45 pp. 2-11)
 - b. Transcript – Cost Analysis for McKinley Mine Coal Replacement (Transcript Vol. X, 10/25/2006, pp. 2210-2215)
4. ROBINSON, DONALD
 - a. Transcript – Sports Contracts and Advertising Costs (Transcript Vol. IV, 10/13/2006, pp. 907-911)
 - b. Transcript – APS Exhibit 27 Discussion (Transcript Vol. XXVI, 12/11/2006, pp. 4867-4875)
 - c. Transcript – APS Exhibit 77 Discussion (Transcript Vol. XXVI, 12/11/2006, pp. 4807-4835)
5. FOX, EDWARD
 - a. Transcript – Sports Contracts and Advertising Costs (Transcript Vol. VII, 10/20/2006, pp. 1492-1495)
6. GORDON, MARK
 - a. Rebuttal Testimony – Incentive Compensation Analysis and Cost Management Results at APS (APS Exhibit No. 51 pp. 10-25, MKG1-MKG4)
7. RUMOLO, DAVID
 - a. Transcript – APS Exhibit 27 Discussion (Transcript Vol. XXIII, 12/04/2006, pp. 4382-4387)
8. SMITH, JERRY (Staff Witness)
 - a. Engineering Report – Reliability and Delivery System Performance (Staff Exhibit No. 25)
9. RW BECK
 - a. Consultant Report – Fuel Hedging Program (APS Exhibit No. 72)
10. LIBERTY CONSULTING GROUP
 - a. Final Audit Report – APS Fuel and Purchased Power Procurement and Costs (Staff Exhibit No. 32 and 33)
11. ANTONUK, JOHN (Staff Witness)
 - a. Testimony – Final Audit Report (Transcript Vol. XXI, 11/30/2006, pp.3867-4012 ; Vol. XXII, 12/1/2006, pp. 4025-4164)

Letters filed through ACC Docket Control:

12. Letter from Davis dated 1/23/2006* describing our hedging program and its cost savings impacts, our cost management approach, certain non-fuel cost containment measures undertaken and other non-fuel cost management activities.
13. Letter from Wheeler dated 1/31/2006 describing our cost management process, costs that were excluded from our rate asking per our action and historical unit cost results over the last 10 years.
14. Letter from Davis dated 2/17/2006* describing our cost management process, our rate case exclusions, and cost containment activities regarding advertising, travel, non-charitable contributions/memberships and dues, and sporting events costs.
15. Letter from Davis dated 3/3/2006* describing further details of our cost containment activities regarding advertising, travel, memberships and dues, and sporting events costs.
16. Letter from Mumaw dated 3/24/2006* describing our executive compensation process review by our Human Resources Committee, our cost management approach and our functional Business Units' business plans.
17. Letter from Levine dated 3/29/2006* describing the Palo Verde SI-651 issue and our cost analysis and determination of the options and recommended action.
18. Letter from Mumaw dated 4/13/2006* describing our cost management process, a 21 page summary of activities undertaken by the Company to reduce costs, and the inclusion of "management studies" conducted on various operational activities and cost management practices by the Company over the last several years, including:
 - a. A report from Risk Advisory, a division of SAS, assessing the fuel and purchased power hedging program, issued October 2005.
 - b. A report from EPRI Solutions assessing the Westwing and Deer Valley substations' operations and maintenance performance regarding the events and issues in the summer of 2004, issued in January 2005.
 - c. EPRI follow up report, issued in February 2006.
 - d. Independent Review of Performance at Palo Verde, issued in February 2005.
 - e. PV Supervisory Effectiveness Self-Assessment, issued March 2005.
 - f. PV Operations Assessment of Corrective Actions, issued in May 2005.
19. Letter from Davis dated 8/1/2006 describing our cost management activities in determination of the final 2006 budget and other cost reductions programs recently implemented.
20. Letter from Davis dated 8/17/2006 describing our Financial Issues Report, which details cost savings activities, anticipated construction project increases and historical quarterly filings identifying our financial status.

* Document filed in the APS Emergency Rate Case, Docket No. E-01345A-06-0009. Documents not identified with an asterisk were filed in the APS 2005 Rate Case, Docket No. E-01345A-05-0816.