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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE CONSIDERATION,  
PURSUANT TO A.R.S § 40-252, TO MODIFY  
DECISION NO. 67744 RELATING TO THE  
SELF-BUILD OPTION.

DOCKET NO. E-01345A-07-0420

NOTICE OF FILING

Staff of the Arizona Corporation Commission hereby provides notice of filing the Rebuttal  
Testimony of Barbara Keene in the above-referenced matter.

RESPECTFULLY submitted this 4<sup>th</sup> day of February, 2008.

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

MIKE GLEASON

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Commissioner

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Commissioner

IN THE MATTER OF THE CONSIDERATION, )  
PURSUANT TO A.R.S. § 40-252 TO MODIFY )  
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SELF-BUILD OPTION. )

DOCKET NO. E-01345A-07-0420

REBUTTAL

TESTIMONY

OF

BARBARA KEENE

PUBLIC UTILITIES ANALYST MANAGER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 4, 2008

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**EXECUTIVE SUMMARY**  
**CONSIDERATION TO MODIFY DECISION NO. 67744**  
**RELATING TO THE SELF-BUILD OPTION**  
**DOCKET NO. E-01345A-07-0420**

This testimony addresses Staff's response to the following direct testimonies:

- Mr. Patrick Dinkel on behalf of APS;
- Mr. Theodore E. Roberts, on behalf of Mesquite Power, L.L.C., Southwestern Power Group II, L.L.C, and Bowie Power Station, L.L.C.; and
- Ben C. Trammell, Jr., on behalf of the Electric Generation Alliance.

Staff's recommendations are as follows:

- There should not be a timetable for self-build proceedings.
- The Best Practices should not be integrated into the Settlement Agreement and Decision No. 67744.
- The Best Practices should not be modified for APS.
- No modification to the Settlement Agreement or Decision No. 67744 should be made at this time.

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Barbara Keene. My business address is 1200 West Washington Street,  
4 Phoenix, Arizona 85007.

5  
6 **Q. Have you previously filed testimony in this docket?**

7 A. Yes. I filed Direct Testimony addressing Staff's position concerning the self-build option  
8 for Arizona Public Service Company ("APS") that was approved by Decision No. 67744.

9  
10 **Q. As part of your employment responsibilities, were you assigned to review the Direct**  
11 **Testimonies of other parties in this docket?**

12 A. Yes.

13  
14 **Q. What is the subject matter of this testimony?**

15 A. This testimony will address Staff's response to the following Direct Testimonies:

- 16 ● Mr. Patrick Dinkel on behalf of APS;  
17 ● Mr. Theodore E. Roberts, on behalf of Mesquite Power, L.L.C., Southwestern  
18 Power Group II, L.L.C, and Bowie Power Station, L.L.C.; and  
19 ● Ben C. Trammell, Jr., on behalf of the Electric Generation Alliance.

20  
21 **RESPONSE TO DIRECT TESTIMONY OF MR. PATRICK DINKEL**

22 **Q. What does Mr. Dinkel propose in his Direct Testimony?**

23 A. Mr. Dinkel proposes a timetable for self-build proceedings if APS seeks authorization  
24 from the Commission to self-build prior to 2015. He proposes a 90-day timeframe for a  
25 Commission decision when APS has complied with the Recommended Best Practices for  
26 Procurement ("Best Practices"), and the application includes a written acknowledgement

1 of such compliance by the Independent Monitor. He proposes a 180-day timeframe to  
2 apply when the Independent Monitor or a bidder has identified material concerns about the  
3 fairness of the procurement process or if an Independent Monitor was not involved in the  
4 process.

5  
6 **Q. What is Staff's response to the proposal for a timetable for self-build proceedings?**

7 A. Staff is opposed to a timetable for self-build proceedings. The Commission needs  
8 adequate time to review an application. It is difficult to know how much time would be  
9 needed for the review without considering the specifics of each application, and for that  
10 reason, uniform procedural deadlines tend to constrain the Commission's ability to  
11 adequately consider each case.

12  
13 **Q. Have there been many self-build proceedings?**

14 A. No. In fact, to the best of my knowledge, there has only been one (the Yuma proceeding)  
15 thus far. Over 250 days elapsed between APS' filing of its application in that matter and  
16 the issuance of the Commission's order. This experience would suggest that APS'  
17 recommended time frames are too short. In any event, Staff believes that it is too soon to  
18 estimate how long a typical "self-build" proceeding will take because we lack experience  
19 with these types of proceedings. It is thus too early to establish specific governing  
20 timeframes.

21  
22 **Q. If the Commission were to adopt such timeframes, does Staff have any  
23 recommendations?**

24 A. The experience with the Yuma proceeding tends to suggest that the time-frames proposed  
25 by APS are insufficient. If the Commission were to adopt time-frames, they should be

1 more liberal than those suggested by APS. In addition, the Commission should make it  
2 clear that it retains the authority to extend those time-frames, if necessary.

3  
4 **RESPONSE TO DIRECT TESTIMONY OF MR. THEODORE E. ROBERTS**

5 **Q. What does Mr. Roberts propose in his Direct Testimony?**

6 A. Mr. Roberts proposes that the Best Practices be integrated into the Settlement Agreement  
7 and Decision No. 67744.

8  
9 **Q. What is Staff's response to the proposal that the Best Practices be integrated into the  
10 Settlement Agreement and Decision No. 67744?**

11 A. Staff is opposed to integrating the Best Practices into the Settlement Agreement and  
12 Decision No. 67744. Proceedings on Resource Planning are currently underway. It is  
13 anticipated that rulemaking resulting from those proceedings may include the subject of  
14 procurement. The rules may include provisions similar to the Best Practices, but they  
15 might not be identical. If the Best Practices were to be made mandatory for APS, APS  
16 could ultimately be following requirements that differ from the rules required for other  
17 utilities. In this instance, Staff believes that it is desirable to have uniform standards to  
18 govern procurement.

19  
20 **Q. Does Mr. Roberts have any other proposal?**

21 A. Yes. Mr. Roberts also proposes to modify language in paragraph 75(b) of the Settlement  
22 Agreement by striking the phrase "from the competitive wholesale market."  
23

1 **Q. What is Staff's response to modifying the language in paragraph 75(b) of the**  
2 **Settlement Agreement?**

3 A. Staff continues to support the Settlement Agreement as it is and opposes making any  
4 modifications to it at this time. The self-build provisions continue to encourage APS to  
5 obtain resources to serve its customers by seeking the best options.

6  
7 **RESPONSE TO DIRECT TESTIMONY OF MR. BEN C. TRAMMELL, JR.**

8 **Q. What does Mr. Trammell propose in his Direct Testimony?**

9 A. Mr. Trammell proposes that the Best Practices, with several modifications, be integrated  
10 into Decision No. 67744.

11  
12 **Q. What is Staff's response to the proposal that the Best Practices be modified and**  
13 **integrated into Decision No. 67744?**

14 A. As stated above, Staff is opposed to integrating the Best Practices into Decision No.  
15 67744. Staff is also opposed to modifying the Best Practices at this time. The Best  
16 Practices were recently adopted by the Commission after input by several entities. As  
17 discussed above, proceedings on Resource Planning are currently underway.

18  
19 **Q. Can Mr. Trammell suggest modifications to the Best Practices in the Resource**  
20 **Planning proceedings?**

21 A. Yes. Those proceedings are the best venue for addressing the subject of procurement for  
22 all electric utilities. The rules may ultimately include provisions similar to the Best  
23 Practices. If the Best Practices were modified in this proceeding only for APS, APS could  
24 have procurement requirements that differ from the rules required for other utilities. In  
25 Staff's view, this would be an undesirable result.

1 **Q. What other topic did Mr. Trammell address?**

2 A. Mr. Trammell supports an outright prohibition on utility self-build.

3  
4 **Q. What is Staff's response to an outright prohibition on utility self-build?**

5 A. Staff continues to support the Settlement Agreement with the self-build moratorium  
6 subject to a safety mechanism that permits APS to seek an exemption from the  
7 Commission if the wholesale market cannot cost-effectively meet the needs of APS'  
8 customers. Staff believes that the self-build provisions of Decision No. 67744 remain in  
9 the public interest for the reasons stated in my Direct Testimony, filed on January 11,  
10 2008.

11

12 **SUMMARY OF STAFF RECOMMENDATIONS**

13 **Q. Please summarize Staff's recommendations.**

14 A. Staff's recommendations are as follows:

- 15 ● There should not be a timetable for self-build proceedings.
- 16 ● The Best Practices should not be integrated into the Settlement Agreement and  
17 Decision No. 67744.
- 18 ● The Best Practices should not be modified for APS.
- 19 ● No modification to the Settlement Agreement or Decision No. 67744 should be  
20 made at this time.

21

22 **Q. Does this conclude your Rebuttal Testimony?**

23 A. Yes, it does.