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BEFORE THE ARIZONA CORPORATION COMMISSION

2 COMMISSIONERS

- 3 MIKE GLEASON, Chairman
- 4 WILLIAM A. MUNDELL
- 5 JEFF HATCH-MILLER
- 6 KRISTIN K. MAYES
- 7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION  
 9 OF ARIZONA PUBLIC SERVICE  
 10 COMPANY FOR A HEARING TO  
 11 DETERMINE THE FAIR VALUE OF THE  
 12 UTILITY PROPERTY OF THE COMPANY  
 13 FOR RATEMAKING PURPOSES, TO FIX A  
 14 JUST AND REASONABLE RATE OF  
 15 RETURN THEREON, TO APPROVE RATE  
 16 SCHEDULES DESIGNED TO DEVELOP  
 17 SUCH RETURN

Docket No. E-01345A-08-0172

**NOTICE OF FILING DIRECT  
 TESTIMONY AND EXHIBITS OF  
 KEVIN C. HIGGINS ON BEHALF  
 OF FREEPORT-MCMORAN  
 COPPER & GOLD INC. AND  
 ARIZONANS FOR ELECTRIC  
 CHOICE AND COMPETITION  
 (INTERIM RATES)**

13 Freeport-McMoRan Copper & Gold Inc. and Arizonans for Electric Choice and  
 14 Competition (collectively "AECC"), hereby submit the Direct Testimony and Exhibits of  
 15 Kevin C. Higgins on behalf of AECC (Interim Rates) in the above captioned Docket.

16 RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of August 2008.

17 FENNEMORE CRAIG, P.C.

18 Arizona Corporation Commission  
 19 **DOCKETED**  
 20  
 21 AUG 29 2008

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2 FILED this 29<sup>th</sup> day of August 2008 with:

3 Docket Control  
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By: *Mary Collington*

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2  
3 In the Matter of the Application of Arizona )  
4 Public Service Company for a Hearing to )  
5 Determine the Fair Value of the Utility )  
6 Property of the Company for Ratemaking )  
7 Purposes, to Fix a Just and Reasonable )  
8 Rate of Return Thereon, to Approve Rate )  
9 Schedules Designed to Develop Such Return)

**Docket No. E-01345A-08-0172**

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14 **Direct Testimony of Kevin C. Higgins**

15  
16 **on behalf of**

17 **Phelps Dodge Mining Company and**

18 **Arizonans for Electric Choice & Competition**

19  
20  
21 **Interim Rates**

22  
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25  
26 **August 29, 2008**

**TABLE OF CONTENTS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

Table of Contents.....i  
Introduction.....1  
Overview and Conclusions.....3  
Need for Interim Increase.....4  
Rate Design.....7  
  
ATTACHMENTS  
KCH-1.....Qualifications  
KCH-2.....Interim Increase Needed to Achieve 18.25% FFO/Debt Ratio in  
.....2009



1 Prior to joining Energy Strategies, I held policy positions in state and local  
2 government. From 1983 to 1990, I was economist, then assistant director, for the  
3 Utah Energy Office, where I helped develop and implement state energy policy.  
4 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County  
5 Commission, where I was responsible for development and implementation of a  
6 broad spectrum of public policy at the local government level.

7 **Q. Have you previously testified before this Commission?**

8 A. Yes. I have testified in a number of proceedings before this Commission,  
9 including the generic proceeding on retail electric competition (1998),<sup>2</sup> the  
10 hearings on the Arizona Public Service Company (“APS”) 1999 Settlement  
11 Agreement (1999),<sup>3</sup> the hearings on the Tucson Electric Power (“TEP”) 1999  
12 Settlement Agreement (1999),<sup>4</sup> the AEPCO transition charge hearings (1999),<sup>5</sup>  
13 the Commission’s Track A proceeding (2002),<sup>6</sup> the APS adjustment mechanism  
14 proceeding (2003),<sup>7</sup> the Arizona ISA proceeding (2003),<sup>8</sup> the APS 2004 rate case  
15 (2004),<sup>9</sup> the Trico rate case (2005),<sup>10</sup> the TEP rate review (2005),<sup>11</sup> the APS  
16 interim rate proceeding (2006),<sup>12</sup> the APS 2006 rate case (2006),<sup>13</sup> TEP’s request  
17 to amend Decision No. 62103 (2007),<sup>14</sup> and the TEP rate case (2008).<sup>15</sup>

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<sup>2</sup> Docket No. RE-00000C-94-0165.

<sup>3</sup> Docket Nos. RE-00000C-94-0165, E-01345A-98-0471, and E-01345A-98-0473.

<sup>4</sup> Docket Nos. RE-00000C-94-0165, E-01933A-97-0772, and E-01933A-97-0773.

<sup>5</sup> Docket No. E-01773A-98-0470.

<sup>6</sup> Docket Nos. E-00000A-02-0051; E-01345A-01-0822; E-00000A-01-0630; E-01933A-02-0069; E-01933A-98-0471.

<sup>7</sup> Docket No. E-01345A-02-0403.

<sup>8</sup> Docket No. E-00000A-01-0630.

<sup>9</sup> Docket No. E-01345A-03-0437.

<sup>10</sup> Docket No. E-01461A-04-0607.

<sup>11</sup> Docket No. E-01933A-04-0408.

<sup>12</sup> Docket No. E-01345A-06-0009.

<sup>13</sup> Docket No. E-01345A-05-0816.

<sup>14</sup> Docket No. E-01933A-05-0650.

1 **Q. Have you testified before utility regulatory commissions in other states?**

2 A. Yes. I have testified in over seventy other proceedings on the subjects of  
3 utility rates and regulatory policy before state utility regulators in Alaska,  
4 Arkansas, Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,  
5 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,  
6 Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Utah, Virginia,  
7 Washington, West Virginia, and Wyoming. I have also participated in various  
8 Pricing Processes conducted by the Salt River Project Board and have filed  
9 affidavits in proceedings at the Federal Energy Regulatory Commission.

10 A more detailed description of my qualifications is contained in  
11 Attachment KCH-1, attached to this testimony.

12

13 **Overview and Conclusions**

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. My testimony addresses APS's request for an interim rate increase and  
16 recommends adjustments to the Company's proposal that I believe are necessary  
17 to ensure results that are just and reasonable.

18 **Q. What conclusions have you reached in your analysis?**

19 A. In light of the cash flow pressures being experienced by APS, I conclude  
20 that some interim rate relief is warranted to protect retail customers from the  
21 negative consequences of a credit downgrade, but the amount of relief needed is  
22 significantly less than the amount requested by the Company. Specifically, I

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<sup>15</sup> Docket No. E-01933A-07-0402.

1 believe it is appropriate to grant an interim rate increase, subject to refund with  
2 interest, sufficient to permit APS to attain a Funds-from-Operations/Debt Ratio of  
3 18.25 percent in 2009. I calculate that this ratio can be attained through an interim  
4 rate increase of \$42.4 million on an annualized basis. This incremental revenue  
5 should be collected through an interim rate increase of no greater than 1.61  
6 percent applied to base rates effective January 1, 2009.

7  
8 **Need for Interim Increase**

9 **Q. In your opinion, has APS demonstrated a need for an interim increase?**

10 A. Yes. However, the amount needed is significantly less than APS has  
11 proposed. I agree with APS that it is very important to ensure that the Company  
12 does not experience a credit downgrade to below investment grade, as higher  
13 utility credit costs would have a negative impact on customers. For this reason, I  
14 believe it is prudent to provide interim relief to the extent that it is necessary to  
15 avoid a downgrade while APS's general rate case is pending.

16 **Q. What amount of interim relief has APS requested?**

17 APS has requested interim relief in the amount of \$115 million on an  
18 annualized basis. This amount corresponds to the annual revenues produced by  
19 the 2007 PSA adjustor charge of \$.003987 per kWh, which expired by its own  
20 terms in July 2008. Prior to that expiration, APS had proposed that the 2007 PSA  
21 adjustor charge be converted to an Interim Base Surcharge in the same amount.

22 **Q. What is your general assessment of APS's proposal?**

1 A. APS's proposal appears to have been driven by the administrative  
2 convenience of retaining the 2007 PSA adjustor charge. I believe this approach is  
3 flawed for two fundamental reasons: (1) there is no reason to believe that the  
4 amount recovered by the 2007 PSA adjustor charge would necessarily correspond  
5 to the amount of interim relief required (except by coincidence); and (2) the per  
6 kilowatt-hour PSA adjustor was levied for the specific purpose of recovering fuel  
7 and purchased power costs. This per-kWh charge is entirely inappropriate for the  
8 purpose of providing interim rate relief in this proceeding, as the Company's need  
9 for relief is driven by cost pressures unrelated to the cost of fuel and purchased  
10 power. Such a per-kWh charge falls disproportionately on higher-load-factor  
11 customers, and would result in an unreasonable burden on these customers in the  
12 context of providing interim rate relief.

13 Since filing its initial application, APS has supplemented its filing by  
14 presenting alternative rate designs for the requested interim recovery, which are  
15 discussed in the affidavit of David J. Rumolo filed July 11, 2008.

16 **Q. What criteria should be used in evaluating the emergency request?**

17 A. APS has emphasized that the Funds-from-Operations/Debt ratio  
18 ("FFO/Debt ratio") is the key financial metric examined by the credit agencies in  
19 establishing credit ratings.<sup>16</sup> APS has further indicated that a FFO/Debt ratio of 18  
20 to 28 percent is necessary for a utility with APS's risk profile to maintain a BBB  
21 credit rating from Standard & Poor's ("S&P").<sup>17</sup> APS has projected that absent

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<sup>16</sup> Affidavit of Donald E. Brandt, p. 3, lines 17-21.

<sup>17</sup> Ibid., p. 12, lines 10-11.

1 interim relief, its FFO/Debt ratio would fall to 17.6 percent in 2009.<sup>18</sup> Based on  
2 APS's representations regarding the importance of the FFO/Debt Ratio to its  
3 credit rating, I believe it is necessary to allow an interim rate increase sufficient to  
4 permit APS to attain a FFO/Debt ratio in excess of 18 percent in 2009, in order to  
5 prevent a credit downgrade.

6 **Q. What specific recommendation do you make in this proceeding?**

7 A. I recommend that interim relief should be granted sufficient to allow APS  
8 to meet an FFO/Debt ratio of 18.25 percent in 2009. This would allow APS to  
9 remain within the financial parameters required by credit agencies pending the  
10 outcome of its general rate case.

11 **Q. How much revenue would APS require from an interim increase to attain a**  
12 **FFO/Debt ratio of 18.25 percent in 2009?**

13 A. I calculate that this could be accomplished with an interim increase of  
14 \$42.4 million effective January 1, 2009, which can be implemented through an  
15 equal percentage surcharge on base rates of 1.61 percent, using 2007 adjusted test  
16 year revenue. This percentage increase can be reduced slightly by adjusting for  
17 expected increases in 2009 revenue attributable to load growth. My calculations  
18 are shown in Attachment KCH-2.

19 **Q. What is your recommendation to the Commission with respect to the amount**  
20 **of interim relief that should be granted to APS?**

21 A. I recommend that the Commission grant APS interim relief sufficient to  
22 achieve an FFO/Debt Ratio of 18.25 percent in 2009. This interim relief should be

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<sup>18</sup> Ibid., p. 12, lines 11-19.

1 subject to refund with interest pending the Commission's final decision in this  
2 docket. I calculate that this would require an increase in revenues of \$42.4 million  
3 effective January 1, 2009, which should be recovered through an equal percentage  
4 surcharge of no greater than 1.61 percent on the base rate portion of customer  
5 bills. As I indicated above, this percentage increase should be reduced slightly by  
6 adjusting for 2009 load growth.

7 **Q. Why do you believe your recommendation is reasonable?**

8 A. As I stated above, it is very important to ensure that APS does not  
9 experience a credit downgrade to below investment grade, as higher utility credit  
10 costs will have a negative impact on customers. APS's application indicates that  
11 absent interim rate relief, there is a material probability that the Company's  
12 FFO/Debt ratio will fall below 18 percent in 2009. Such an event would increase  
13 the risk of a credit downgrade. I believe that providing interim relief sufficient to  
14 allow APS to attain a 2009 FFO/Debt ratio of 18 percent, plus a reasonable buffer,  
15 during the pendency of its general rate case, is reasonable and in the public  
16 interest.

17  
18 **Rate Design**

19 **Q. What rate design has APS proposed for its interim increase?**

20 A. In its initial application, APS proposed a charge of \$.003987 per kWh on  
21 all retail kWh except E-3 and E-4 low-income customers, E-36 customers, and  
22 rate schedules Solar-2 and SP-1. In a subsequent filing, APS presented two  
23 additional options: (1) an equal percentage increase applied to base rates, and (2)

1 a hybrid option in which revenue requirements would be allocated to customer  
2 classes based on energy, but recovered within the customer classes through a  
3 demand charge from those customer classes billed on a demand basis.

4 **Q. What is your assessment of these options?**

5 A. Of the three options presented by APS, only the equal percentage increase  
6 is reasonable. This approach spreads the burden of the interim increase in a  
7 manner that is proportionate to current base rates. Absent a record to properly  
8 determine whether particular customer groups should bear different relative  
9 burdens, the only reasonable approach to spreading an interim rate increase is on  
10 an equal percentage basis. Therefore, my recommendation to the Commission is  
11 to recover any interim relief granted in this proceeding through an equal  
12 percentage increase applied to base rates, consistent with the option described by  
13 Mr. Rumolo on page 3, lines 16-21 of his affidavit.

14 In contrast, the first option presented by APS, a flat cents-per-kWh charge,  
15 would place a disproportionate burden on customers for whom energy costs  
16 constitute a relatively large proportion of their APS bills. Negatively-impacted  
17 customers include those with higher-load factors and customers taking service at  
18 higher voltage levels. This is shown in Table KCH-1, below. For example, at the  
19 amount of interim increase proposed by APS, a 75 percent load factor E-35  
20 customer would experience a base rate increase in excess of 7.7 percent under a  
21 flat kWh charge – 75 percent higher than the 4.4 percent average increase  
22 identified by Mr. Rumolo.

1 **Table KCH-1**

2  
3 **Impact of Flat kWh Rate Design on**  
4 **Commercial and Industrial Customers**  
5 **@APS Requested Interim Increase**

6  
7 Average System Increase = 4.36%

8

9	<u>Rate schedule</u>	<u>Customer size (kW)</u>	<u>Load Factor</u>	<u>Rate Impact</u>
10				
11	E-32	100	35%	3.65%
12	E-32	100	55%	4.62%
13	E-32	100	75%	5.28%
14				
15	E-32	500	35%	4.14%
16	E-32	500	55%	5.11%
17	E-32	500	75%	5.74%
18				
19	E-32	1000	35%	4.21%
20	E-32	1000	55%	5.18%
21	E-32	1000	75%	5.81%
22				
23	E-34	5000	55%	6.21%
24	E-34	5000	75%	6.99%
25				
26	E-35	5000	55%	6.88%
27	E-35	5000	75%	7.71%

28  
29 There is no sound rationale for allocating an interim increase in this  
30 proceeding based on energy usage. The PSA mechanism already recovers  
31 projected changes in fuel and purchased power costs from customers on a flat per-  
32 kWh basis. Consequently, higher-load factor and higher voltage customers  
33 already pay a higher percentage increase than the system average when the PSA  
34 charges are levied. Further, because of this mechanism, we can safely conclude  
35 that APS's need for an interim increase is *not* the result of increases in fuel and  
36 purchased power expenses. Rather, it is largely attributable to the cash flow  
37 impacts of APS's increased investment in system infrastructure – a point that APS  
38 makes repeatedly in its application. The cost recovery mechanism for interim

1 relief needs to reflect the general nature of the costs that are causing the need for  
2 an increase: a flat kWh charge does not accomplish this fundamental rate design  
3 objective.

4 The hybrid proposal presented by APS is merely a compromise between a  
5 cost recovery mechanism that is reasonable and one that is not. So while it  
6 produces customer impacts that are less unreasonable than the flat kWh charge, it  
7 is still “half wrong.” Specifically, there is no basis in cost causation to allocate the  
8 interim increase to customer classes on an energy basis, as would occur in the first  
9 step under this approach.

10 **Q. Based on your experience, is the equal percentage approach you are**  
11 **recommending a typical design when interim relief is granted?**

12 A. Yes. I have participated in a number of rate proceedings in which interim  
13 rate relief was granted, and equal percentage approaches have been the norm.<sup>19</sup>

14 In 2000 and 2001, I participated in rate proceedings before the Utah Public  
15 Service Commission in which interim rate relief was requested. In 2000, the Utah  
16 Commission granted Questar Gas Company interim rate relief in the form of an  
17 equal percentage rider on the non-gas portion of retail customer bills.<sup>20</sup> Then in

---

<sup>19</sup> The only exceptions that I can recall are: (1) a 2001 Puget Sound Energy proceeding in which the Washington Commission approved a multi-party stipulation that resolved numerous issues in the concurrent general rate case. That settlement incorporated an interim rate increase that increased all billing components on an equal percentage basis after first allocating costs between residential and non-residential customers. [2001 Puget Sound Energy Interim Rate Case, Washington Utilities and Transportation Commission, Docket Nos. UE-011570 and UE-011571]; and (2) the previous APS rate case in which this Commission granted an interim PSA adjustor, discussed below.

<sup>20</sup> “In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges,” Utah Public Service Commission, Docket No. 99-057-20.

1 2001, the Utah Public Service Commission granted PacifiCorp interim rate relief,  
2 again in the form of an equal percentage surcharge on all retail customers.<sup>21</sup>

3 In 2003-04, I testified in a Detroit Edison proceeding in Michigan in  
4 which interim relief was requested. In that case, I recommended, as did others,  
5 that any interim increase should be levied on an across-the-board equal  
6 percentage basis – the same recommendation I am making here. The equal-  
7 percentage approach was subsequently adopted by the Michigan Public Service  
8 Commission, subject to statutory rate caps for certain classes.<sup>22</sup>

9 In 2004, I participated in a rate proceeding in Alaska, in which interim  
10 rates also were adopted. In that case, the interim increase was also collected  
11 through an equal percentage increase on all billing components, with the  
12 exception of the customer charge.<sup>23</sup>

13 In 2006, I participated in an Xcel Energy general rate proceeding in  
14 Minnesota. In that case, interim rates were approved by the Minnesota Public  
15 Utilities Commission in the form of an across-the-board 7.25 percent surcharge on  
16 all customer bills.<sup>24</sup>

17 The consistency across these cases is clear: in awarding an interim rate  
18 increase, an equal percentage increase on all customers is very typical. Indeed,

---

<sup>21</sup> “In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations,” Utah Public Service Commission, Docket No. 01-35-01.

<sup>22</sup> “In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.,” Michigan Public Service Commission, Case No. U-13808.

<sup>23</sup> “In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates,” Regulatory Commission of Alaska, Docket No. U-4-33

<sup>24</sup> “In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,” Minnesota Public Utilities Commission, Docket No. E-002/GR-05-1428.

1 absent a record to properly determine that various customer groups should bear  
2 different burdens, it is the only reasonable approach to spreading an interim rate  
3 increase.

4 **Q. Are you personally familiar with other situations in which rate spread is**  
5 **determined in the absence of a record regarding class cost-of-service?**

6 A. Yes. In Colorado, it is not unusual for general rate cases to be conducted  
7 in two phases: the first phase addresses revenue requirement and the second phase  
8 addresses cost-of-service, rate spread, and rate design. Upon determination of the  
9 first phase of the case, but prior to the resolution of the second phase, any base  
10 rate change is implemented via an equal percentage rider on all customers. Again,  
11 this approach is the most reasonable one to take in the absence of a record on cost  
12 of service.

13 Similarly, in August 2008, the Utah Public Service Commission approved  
14 a revenue increase for Rocky Mountain Power prior to conducting the phase of  
15 the hearing that addresses cost-of-service, rate spread, and rate design issues.  
16 Appropriately, the Utah Commission adopted an equal percentage rider on all rate  
17 schedules during the pendency of the rate spread phase of the case.<sup>25</sup>

18 **Q. How does your recommendation comport with this Commission's decision in**  
19 **Docket No. E-01345A-06-0009 in which APS was granted an interim rate**  
20 **increase that was recovered through an equal cents-per-kWh surcharge?**

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<sup>25</sup> "In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge," Utah Public Service Commission, Docket No. 07-035-93.

1 A. In that proceeding, APS's interim relief was driven by rising fuel and  
2 purchased power costs. Accordingly, the interim increase awarded in that case  
3 was an interim PSA adjustor that was directed specifically to the recovery of fuel  
4 and purchased power costs. The facts in this proceeding are very different. Unlike  
5 the previous case, APS is now recovering its fuel and purchased power costs. The  
6 pressure on the Company's FFO/Debt Ratio is coming from costs that are  
7 unrelated to energy expense. As a result, interim relief, if it is granted, should not  
8 come in the form of an interim PSA adjustor, but as a surcharge applied to base  
9 rates. This change in circumstances calls for a different rate design for the  
10 surcharge, i.e., an equal percentage approach.

11 **Q. Does this conclude your direct testimony?**

12 A. Yes, it does.

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Principal, Energy Strategies, L.L.C., Salt Lake City, Utah, January 2000 to present. Responsible for energy-related economic and policy analysis, regulatory intervention, and strategic negotiation on behalf of industrial, commercial, and public sector interests. Previously Senior Associate, February 1995 to December 1999.

Adjunct Instructor in Economics, Westminster College, Salt Lake City, Utah, September 1981 to May 1982; September 1987 to May 1995. Taught in the economics and M.B.A. programs. Awarded Adjunct Professor of the Year, Gore School of Business, 1990-91.

Chief of Staff to the Chairman, Salt Lake County Board of Commissioners, Salt Lake City, Utah, January 1991 to January 1995. Senior executive responsibility for all matters of county government, including formulation and execution of public policy, delivery of approximately 140 government services, budget adoption and fiscal management (over \$300 million), strategic planning, coordination with elected officials, and communication with consultants and media.

Assistant Director, Utah Energy Office, Utah Department of Natural Resources, Salt Lake City, Utah, August 1985 to January 1991. Directed the agency's resource development section, which provided energy policy analysis to the Governor, implemented state energy development policy, coordinated state energy data collection and dissemination, and managed energy technology demonstration programs. Position responsibilities included policy formulation and implementation, design and administration of energy technology demonstration programs, strategic management of the agency's interventions before the Utah Public Service Commission, budget preparation, and staff development. Supervised a staff of economists, engineers, and policy analysts, and served as lead economist on selected projects.

Utility Economist, Utah Energy Office, January 1985 to August 1985. Provided policy and economic analysis pertaining to energy conservation and resource development, with an emphasis on utility issues. Testified before the state Public Service Commission as an expert witness in cases related to the above.

Acting Assistant Director, Utah Energy Office, June 1984 to January 1985. Same responsibilities as Assistant Director identified above.

Research Economist, Utah Energy Office, October 1983 to June 1984. Provided economic analysis pertaining to renewable energy resource development and utility issues. Experience includes preparation of testimony, development of strategy, and appearance as an expert witness for the Energy Office before the Utah PSC.

Operations Research Assistant, Corporate Modeling and Operations Research Department, Utah Power and Light Company, Salt Lake City, Utah, May 1983 to September 1983. Primary area of responsibility: designing and conducting energy load forecasts.

Instructor in Economics, University of Utah, Salt Lake City, Utah, January 1982 to April 1983. Taught intermediate microeconomics, principles of macroeconomics, and economics as a social science.

Teacher, Vernon-Verona-Sherrill School District, Verona, New York, September 1976 to June 1978.

## **EDUCATION**

Ph.D. Candidate, Economics, University of Utah (coursework and field exams completed, 1981).

Fields of Specialization: Public Finance, Urban and Regional Economics, Economic Development, International Economics, History of Economic Doctrines.

Bachelor of Science, Education, State University of New York at Plattsburgh, 1976 (cum laude).

Danish International Studies Program, University of Copenhagen, 1975.

## **SCHOLARSHIPS AND FELLOWSHIPS**

University Research Fellow, University of Utah, Salt Lake City, Utah 1982 to 1983.

Research Fellow, Institute of Human Resources Management, University of Utah, 1980 to 1982.

Teaching Fellow, Economics Department, University of Utah, 1978 to 1980.

New York State Regents Scholar, 1972 to 1976.

## EXPERT TESTIMONY

“Verified Joint Petition of Duke Energy Indiana, Inc., Indianapolis Power & Light Company, Northern Indiana Public Service Company and Vectren Energy Delivery of Indiana, Inc. for Approval, if and to the Extent Required, of Certain Changes in Operations That Are Likely To Result from the Midwest Independent System Operator, Inc.’s Implementation of Revisions to Its Open Access Transmission and Energy Markets Tariff to Establish a Co-Optimized, Competitive Market for Energy and Ancillary Services Market; and for Timely Recovery of Costs Associated with Joint Petitioners’ Participation in Such Ancillary Services Market,” **Indiana** Utility Regulatory Commission, Cause No. 43426. Direct testimony submitted August 6, 2008.

“In The Matter of the Application of The Detroit Edison Company for Authority to Increase Its Rates, Amend Its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy, and for Miscellaneous Accounting Authority,” **Michigan** Public Service Commission, Case No. U-15244. Direct testimony submitted July 15, 2008. Rebuttal testimony submitted August 8, 2008.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-197. Direct testimony submitted July 9, 2008.

“In the Matter of PacifiCorp, dba Pacific Power, 2009 Transition Adjustment Mechanism, Schedule 200, Cost-Based Supply Service,” Public Utility Commission of **Oregon**, Docket No. UE-199. Reply testimony submitted June 23, 2008.

“2008 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-072300 and UG-072301. Response testimony submitted May 30, 2008. Cross-Answer testimony submitted July 3, 2008. Joint testimony in support of partial stipulations submitted July 3, 2008 (rate spread/rate design) and August 28, 2008 (revenue requirements).

“Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to the Ind. Code 8-1-2.5, Et Seq., for the Offering of Energy Efficiency Conservation, Demand Response, and Demand-Side Management Programs and Associated Rate Treatment Including Incentives Pursuant to a Revised Standard Contract Rider No. 66 in Accordance with Ind. Code 8-1-2.5-1Et Seq. and 8-1-2-42(a); Authority to Defer Program Costs Associated with Its Energy Efficiency Portfolio of Programs; Authority to Implement New and Enhanced Energy Efficiency Programs in Its Energy Efficiency Portfolio of Programs; and Approval of a Modification of the Fuel Adjustment Clause Earnings and Expense Tests,” **Indiana** Utility Regulatory Commission, Cause No. 43374. Direct testimony submitted May 21, 2008.

“Cinergy Corp., Duke Energy Ohio, Inc., Cinergy Power Investments, Inc., Generating Facilities LLCs,” **Federal Energy Regulatory Commission**, Docket No. EC-08-78-000. Affidavit filed May 14, 2008.

“Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs, Public Utility Commission of **Texas**, Docket No. 34800 [SOAH Docket No. 473-08-0334]. Direct testimony submitted April 11, 2008. Testimony withdrawn pursuant to stipulation.

“Central Illinois Light Company d/b/a AmerenCILCO Proposed General Increase in Electric Delivery Service Rates, Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Electric Delivery Service Rates, Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Electric Delivery Service Rates, Central Illinois Light Company d/b/a AmerenCILCO, Proposed General Increase in Gas Delivery Service Rates, Central Illinois Public Service Company d/b/a AmerenCIPS Proposed General Increase in Gas Delivery Service Rates, Illinois Power Company d/b/a/ AmerenIP Proposed General Increase in Gas Delivery Service Rates,” **Illinois** Commerce Commission, Docket Nos. 07-0585, 07-0586, 07-0587, 07-0588, 07-0589, 07-0590. Direct testimony submitted March 14, 2008. Rebuttal testimony submitted April 8, 2008.

“In the Matter of the Application of Public Service Company of Colorado for Authority to Implement an Enhanced Demand Side Management Cost Adjustment Mechanism to Include Current Recovery and Incentives,” **Colorado** Public Utilities Commission, Docket No. 07A-420E. Answer testimony submitted March 10, 2008. Cross examined April 25, 2008.

“An Investigation of the Energy and Regulatory Issues in Section 50 of Kentucky’s 2007 Energy Act,” **Kentucky** Public Service Commission, Administrative Case No. 2007-00477. Direct testimony submitted February 29, 2008. Supplemental direct testimony submitted April 1, 2008. Cross examined April 30, 2008.

In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of Its Operations throughout the State of Arizona, **Arizona** Corporation Commission, Docket No. E-01933A-07-0402. Direct testimony submitted February 29, 2008 (revenue requirement), March 14, 2008 (rate design), and June 12, 2008 (settlement agreement). Cross examined July 14, 2008.

“Commonwealth Edison Company Proposed General Increase in Electric Rates,” **Illinois** Commerce Commission, Docket No. 07-0566. Direct testimony submitted February 11, 2008. Rebuttal testimony submitted April 8, 2008.

“In the Matter of the Application of Questar Gas Company to File a General Rate Case,” **Utah**

Public Service Commission, Docket No. 07-057-13. Direct testimony submitted January 28, 2008 (test period), March 31, 2008 (rate of return), April 21, 2008 (revenue requirement), and August 18, 2008 (cost of service, rate spread, rate design). Surrebuttal testimony submitted May 12, 2008 (rate of return). Cross examined February 8, 2008 (test period) and May 21, 2008 (rate of return).

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge,” **Utah** Public Service Commission, Docket No. 07-035-93. Direct testimony submitted January 25, 2008 (test period), April 7, 2008 (revenue requirement), and July 21, 2008 (cost of service, rate design). Surrebuttal testimony submitted May 23, 2008 (revenue requirement). Cross examined February 7, 2008 (test period).

“In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices and for Tariff Approvals,” Public Utilities Commission of **Ohio**, Case Nos. 07-551-EL-AIR, 07-552-EL-ATA, 07-553-EL-AAM, and 07-554-EL-UNC. Direct testimony submitted January 10, 2008.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming, Consisting of a General Rate Increase of Approximately \$36.1 Million per Year, and for Approval of a New Renewable Resource Mechanism and Marginal Cost Pricing Tariff,” **Wyoming** Public Service Commission, Docket No. 20000-277-ER-07. Direct testimony submitted January 7, 2008. Cross examined March 6, 2008.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates and Charges for Electric Service to Electric Customers in the State of Idaho,” **Idaho** Public Utilities Commission, Case No. IPC-E-07-8. Direct testimony submitted December 10, 2007. Cross examined January 23, 2008.

“In The Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution Of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-15245. Direct testimony submitted November 6, 2007. Rebuttal testimony submitted November 20, 2007.

“In the Matter of Montana-Dakota Utilities Co., Application for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. D2007.7.79. Direct testimony submitted October 24, 2007.

“In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 334,” **New Mexico** Public Regulation Commission, Case No. 07-0077-UT. Direct testimony submitted October 22, 2007. Rebuttal testimony submitted November 19, 2007. Cross examined December 12, 2007.

“In The Matter of Georgia Power Company’s 2007 Rate Case,” **Georgia** Public Service Commission, Docket No. 25060-U. Direct testimony submitted October 22, 2007. Cross examined November 7, 2007.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer the Costs Related to the MidAmerican Energy Holdings Company Transaction,” **Utah** Public Service Commission, Docket No. 07-035-04; “In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order To Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization,” Docket No. 06-035-163; “In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility,” Docket No. 07-035-14. Direct testimony submitted September 10, 2007. Surrebuttal testimony submitted October 22, 2007. Cross examined October 30, 2007.

“In the Matter of General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.,” **Kentucky** Public Service Commission, Case No. 2006-00472. Direct testimony submitted July 6, 2007. Supplemental direct testimony submitted March 14, 2008.

“In the Matter of the Application of Sempra Energy Solutions for a Certificate of Convenience and Necessity for Competitive Retail Electric Service,” **Arizona** Corporation Commission, Docket No. E-03964A-06-0168. Direct testimony submitted July 3, 2007. Rebuttal testimony submitted January 17, 2008.

“Application of Public Service Company of Oklahoma for a Determination that Additional Electric Generating Capacity Will Be Used and Useful,” **Oklahoma** Corporation Commission, Cause No. PUD 200500516; “Application of Public Service Company of Oklahoma for a Determination that Additional Baseload Electric Generating Capacity Will Be Used and Useful,” Cause No. PUD 200600030; “In the Matter of the Application of Oklahoma Gas and Electric Company for an Order Granting Pre-Approval to Construct Red Rock Generating Facility and Authorizing a Recovery Rider,” Cause No. PUD200700012. Responsive testimony submitted May 21, 2007. Cross examined July 26, 2007.

“Application of Nevada Power Company for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto,” Public Utilities Commission of **Nevada**, Docket No. 06-11022.

Direct testimony submitted March 14, 2007 (Phase III – revenue requirements) and March 19, 2007 (Phase IV – rate design). Cross examined April 10, 2007 (Phase III – revenue requirements) and April 16, 2007 (Phase IV – rate design).

“In the Matter of the Application of Entergy Arkansas, Inc. for Approval of Changes in Rates for Retail Electric Service,” **Arkansas** Public Service Commission, Docket No. 06-101-U. Direct testimony submitted February 5, 2007. Surrebuttal testimony submitted March 26, 2007.

“Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Rule 42T Application to Increase Electric Rates and Charges,” Public Service Commission of **West Virginia**, Case No. 06-0960-E-42T; “Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Information Required for Change of Depreciation Rates Pursuant to Rule 20,” Case No. 06-1426-E-D. Direct and rebuttal testimony submitted January 22, 2007.

“In the Matter of the Tariffs of Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P Increasing Electric Rates for the Services Provided to Customers in the Aquila Networks-MPS and Aquila Networks-L&P Missouri Service Areas,” **Missouri** Public Service Commission, Case No. ER-2007-0004. Direct testimony submitted January 18, 2007 (revenue requirements) and January 25, 2007 (revenue apportionment). Supplemental direct testimony submitted February 27, 2007.

“In the Matter of the Filing by Tucson Electric Power Company to Amend Decision No. 62103, **Arizona** Corporation Commission, Docket No. E-01933A-05-0650. Direct testimony submitted January 8, 2007. Surrebuttal testimony filed February 8, 2007. Cross examined March 8, 2007.

“In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company’s Missouri Service Area,” **Missouri** Public Service Commission, Case No. ER-2007-0002. Direct testimony submitted December 15, 2006 (revenue requirements) and December 29, 2006 (fuel adjustment clause/cost-of-service/rate design). Rebuttal testimony submitted February 5, 2007 (cost-of-service). Surrebuttal testimony submitted February 27, 2007. Cross examined March 21, 2007.

“In the Matter of Application of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. for an Adjustment of Electric Rates,” **Kentucky** Public Service Commission, Case No. 2006-00172. Direct testimony submitted September 13, 2006.

“In the Matter of Appalachian Power Company’s Application for Increase in Electric Rates,” **Virginia** State Corporation Commission, Case No. PUE-2006-00065. Direct testimony submitted September 1, 2006. Cross examined December 7, 2006.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property 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, **Arizona** Corporation Commission,” Docket No. E-01345A-05-0816. Direct testimony submitted August 18, 2006 (revenue requirements) and September 1, 2006 (cost-of-service/rate design). Surrebuttal testimony submitted September 27, 2006. Cross examined November 7, 2006.

“Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No 1454 – Electric,” **Colorado** Public Utilities Commission, Docket No. 06S-234EG. Answer testimony submitted August 18, 2006.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-180. Direct testimony submitted August 9, 2006. Joint testimony regarding stipulation submitted August 22, 2006.

“2006 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-060266 and UG-060267. Response testimony submitted July 19, 2006. Joint testimony regarding stipulation submitted August 23, 2006.

“In the Matter of PacifiCorp, dba Pacific Power & Light Company, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE-179. Direct testimony submitted July 12, 2006. Joint testimony regarding stipulation submitted August 21, 2006.

“Petition of Metropolitan Edison Company for Approval of a Rate Transition Plan,” **Pennsylvania** Public Utilities Commission, Docket Nos. P-00062213 and R-00061366; “Petition of Pennsylvania Electric Company for Approval of a Rate Transition Plan,” Docket Nos. P-0062214 and R-00061367; Merger Savings Remand Proceeding, Docket Nos. A-110300F0095 and A-110400F0040. Direct testimony submitted July 10, 2006. Rebuttal testimony submitted August 8, 2006. Surrebuttal testimony submitted August 18, 2006. Cross examined August 30, 2006.

“In the Matter of the Application of PacifiCorp for approval of its Proposed Electric Rate Schedules & Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 06-035-21. Direct testimony submitted June 9, 2006 (Test Period). Surrebuttal testimony submitted July 14, 2006.

“Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders,” **Utah** Public Service Commission, Docket No. 05-057-T01. Direct testimony submitted

May 15, 2006. Rebuttal testimony submitted August 8, 2007. Cross examined September 19, 2007.

“Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed General Increase in Rates for Delivery Service (Tariffs Filed December 27, 2005),” **Illinois** Commerce Commission, Docket Nos. 06-0070, 06-0071, 06-0072. Direct testimony submitted March 26, 2006. Rebuttal testimony submitted June 27, 2006.

“In the Matter of Appalachian Power Company and Wheeling Power Company, both dba American Electric Power,” Public Service Commission of **West Virginia**, Case No. 05-1278-E-PC-PW-42T. Direct and rebuttal testimony submitted March 8, 2006.

“In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,” **Minnesota** Public Utilities Commission, Docket No. G-002/GR-05-1428. Direct testimony submitted March 2, 2006. Rebuttal testimony submitted March 30, 2006. Cross examined April 25, 2006.

“In the Matter of the Application of Arizona Public Service Company for an Emergency Interim Rate Increase and for an Interim Amendment to Decision No. 67744,” **Arizona** Corporation Commission, Docket No. E-01345A-06-0009. Direct testimony submitted February 28, 2006. Cross examined March 23, 2006.

“In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service,” State Corporation Commission of **Kansas**, Case No. 05-WSEE-981-RTS. Direct testimony submitted September 9, 2005. Cross examined October 28, 2005.

“In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Combined Cycle Electric Generating Facility,” Public Utilities Commission of **Ohio**,” Case No. 05-376-EL-UNC. Direct testimony submitted July 15, 2005. Cross examined August 12, 2005.

“In the Matter of the Filing of General Rate Case Information by Tucson Electric Power Company Pursuant to Decision No. 62103,” **Arizona** Corporation Commission, Docket No. E-01933A-04-0408. Direct testimony submitted June 24, 2005.

“In the Matter of Application of The Detroit Edison Company to Unbundle and Realign Its Rate Schedules for Jurisdictional Retail Sales of Electricity,” **Michigan** Public Service Commission,

Case No. U-14399. Direct testimony submitted June 9, 2005. Rebuttal testimony submitted July 1, 2005.

“In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-14347. Direct testimony submitted June 3, 2005. Rebuttal testimony submitted June 17, 2005.

“In the Matter of Pacific Power & Light, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE 170. Direct testimony submitted May 9, 2005. Surrebuttal testimony submitted June 27, 2005. Joint testimony regarding partial stipulations submitted June 2005, July 2005, and August 2005.

“In the Matter of the Application of Trico Electric Cooperative, Inc. for a Rate Increase,” **Arizona** Corporation Commission, Docket No. E-01461A-04-0607. Direct testimony submitted April 13, 2005. Surrebuttal testimony submitted May 16, 2005. Cross examined May 26, 2005.

“In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 04-035-42. Direct testimony submitted January 7, 2005.

“In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates,” Regulatory Commission of **Alaska**, Docket No. U-4-33. Direct testimony submitted November 5, 2004. Cross examined February 8, 2005.

“Advice Letter No. 1411 - Public Service Company of Colorado Electric Phase II General Rate Case,” **Colorado** Public Utilities Commission, Docket No. 04S-164E. Direct testimony submitted October 12, 2004. Cross-answer testimony submitted December 13, 2004. Testimony withdrawn January 18, 2005, following Applicant’s withdrawal of testimony pertaining to TOU rates.

“In the Matter of Georgia Power Company’s 2004 Rate Case,” **Georgia** Public Service Commission, Docket No. 18300-U. Direct testimony submitted October 8, 2004. Cross examined October 27, 2004.

“2004 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-040641 and UG-040640. Response testimony submitted September 23, 2004. Cross-answer testimony submitted November 3, 2004. Joint testimony regarding stipulation submitted December 6, 2004.

“In the Matter of the Application of PacifiCorp for an Investigation of Interjurisdictional Issues,” **Utah** Public Service Commission, Docket No. 02-035-04. Direct testimony submitted July 15, 2004. Cross examined July 19, 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Kentucky Utilities Company,” **Kentucky** Public Service Commission, Case No. 2003-00434. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company,” **Kentucky** Public Service Commission, Case No. 2003-00433. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Interim and Base Rates and Charges for Electric Service,” **Idaho** Public Utilities Commission, Case No. IPC-E-03-13. Direct testimony submitted February 20, 2004. Rebuttal testimony submitted March 19, 2004. Cross examined April 1, 2004.

“In the Matter of the Applications of the Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges, Including Regulatory Transition Charges Following the Market Development Period,” Public Utilities Commission of **Ohio**, Case No. 03-2144-EL-ATA. Direct testimony submitted February 6, 2004. Cross examined February 18, 2004.

“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 For Approval of Purchased Power Contract,” **Arizona** Corporation Commission, Docket No. E-01345A-03-0437. Direct testimony submitted February 3, 2004. Rebuttal testimony submitted March 30, 2004. Direct testimony regarding stipulation submitted September 27, 2004. Responsive / Clarifying testimony regarding stipulation submitted October 25, 2004. Cross examined November 8-10, 2004 and November 29-December 3, 2004.

“In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.,” **Michigan** Public Service Commission, Case No. U-13808. Direct testimony submitted December 12, 2003 (interim request) and March 5, 2004 (general rate case).

“In the Matter of PacifiCorp’s Filing of Revised Tariff Schedules,” Public Utility Commission of **Oregon**, Docket No. UE-147. Joint testimony regarding stipulation submitted August 21, 2003.

“Petition of PSI Energy, Inc. for Authority to Increase Its Rates and Charges for Electric Service, etc.,” **Indiana** Utility Regulatory Commission, Cause No. 42359. Direct testimony submitted August 19, 2003. Cross examined November 5, 2003.

“In the Matter of the Application of Consumers Energy Company for a Financing Order Approving the Securitization of Certain of its Qualified Cost,” **Michigan** Public Service Commission, Case No. U-13715. Direct testimony submitted April 8, 2003. Cross examined April 23, 2003.

“In the Matter of the Application of Arizona Public Service Company for Approval of Adjustment Mechanisms,” **Arizona** Corporation Commission, Docket No. E-01345A-02-0403. Direct testimony submitted February 13, 2003. Surrebuttal testimony submitted March 20, 2003. Cross examined April 8, 2003.

“Re: The Investigation and Suspension of Tariff Sheets Filed by Public Service Company of Colorado, Advice Letter No. 1373 – Electric, Advice Letter No. 593 – Gas, Advice Letter No. 80 – Steam,” **Colorado** Public Utilities Commission, Docket No. 02S-315 EG. Direct testimony submitted November 22, 2002. Cross-answer testimony submitted January 24, 2003.

“In the Matter of the Application of The Detroit Edison Company to Implement the Commission’s Stranded Cost Recovery Procedure and for Approval of Net Stranded Cost Recovery Charges,” **Michigan** Public Service Commission, Case No. U-13350. Direct testimony submitted November 12, 2002.

“Application of South Carolina Electric & Gas Company: Adjustments in the Company’s Electric Rate Schedules and Tariffs,” Public Service Commission of **South Carolina**, Docket No. 2002-223-E. Direct testimony submitted November 8, 2002. Surrebuttal testimony submitted November 18, 2002. Cross examined November 21, 2002.

“In the Matter of the Application of Questar Gas Company for a General Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 02-057-02. Direct testimony submitted August 30, 2002. Rebuttal testimony submitted October 4, 2002.

“The Kroger Co. v. Dynegy Power Marketing, Inc.,” **Federal Energy Regulatory Commission**, EL02-119-000. Confidential affidavit filed August 13, 2002.

“In the matter of the application of Consumers Energy Company for determination of net stranded costs and for approval of net stranded cost recovery charges,” **Michigan** Public Service

Commission, Case No. U-13380. Direct testimony submitted August 9, 2002. Rebuttal testimony submitted August 30, 2002. Cross examined September 10, 2002.

“In the Matter of the Application of Public Service Company of Colorado for an Order to Revise Its Incentive Cost Adjustment,” **Colorado** Public Utilities Commission, Docket 02A-158E. Direct testimony submitted April 18, 2002.

“In the Matter of the Generic Proceedings Concerning Electric Restructuring Issues,” **Arizona** Corporation Commission, Docket No. E-00000A-02-0051, “In the Matter of Arizona Public Service Company’s Request for Variance of Certain Requirements of A.A.C. R14-2-1606,” Docket No. E-01345A-01-0822, “In the Matter of the Generic Proceeding Concerning the Arizona Independent Scheduling Administrator,” Docket No. E-00000A-01-0630, “In the Matter of Tucson Electric Power Company’s Application for a Variance of Certain Electric Competition Rules Compliance Dates,” Docket No. E-01933A-02-0069, “In the Matter of the Application of Tucson Electric Power Company for Approval of its Stranded Cost Recovery,” Docket No. E-01933A-98-0471. Direct testimony submitted March 29, 2002 (APS variance request); May 29, 2002 (APS Track A proceeding/market power issues); and July 28, 2003 (Arizona ISA). Rebuttal testimony submitted August 29, 2003 (Arizona ISA). Cross examined June 21, 2002 (APS Track A proceeding/market power issues) and September 12, 2003 (Arizona ISA).

“In the Matter of Savannah Electric & Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14618-U. Direct testimony submitted March 15, 2002. Cross examined March 28, 2002.

“Nevada Power Company’s 2001 Deferred Energy Case,” Public Utilities Commission of **Nevada**, PUCN 01-11029. Direct testimony submitted February 7, 2002. Cross examined February 21, 2002.

“2001 Puget Sound Energy Interim Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-011570 and UE-011571. Direct testimony submitted January 30, 2002. Cross examined February 20, 2002.

“In the Matter of Georgia Power Company’s 2001 Rate Case,” **Georgia** Public Service Commission, Docket No. 14000-U. Direct testimony submitted October 12, 2001. Cross examined October 24, 2001.

“In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 01-35-01. Direct testimony submitted June 15, 2001. Rebuttal testimony submitted August 31, 2001.

“In the Matter of Portland General Electric Company’s Proposal to Restructure and Reprice Its Services in Accordance with the Provisions of SB 1149,” Public Utility Commission of **Oregon**, Docket No. UE-115. Direct testimony submitted February 20, 2001. Rebuttal testimony submitted May 4, 2001. Joint testimony regarding stipulation submitted July 27, 2001.

“In the Matter of the Application of APS Energy Services, Inc. for Declaratory Order or Waiver of the Electric Competition Rules,” **Arizona** Corporation Commission, Docket No.E-01933A-00-0486. Direct testimony submitted July 24, 2000.

“In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Docket No. 99-057-20. Direct testimony submitted April 19, 2000. Rebuttal testimony submitted May 24, 2000. Surrebuttal testimony submitted May 31, 2000. Cross examined June 6 & 8, 2000.

“In the Matter of the Application of Columbus Southern Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1729-EL-ETP; “In the Matter of the Application of Ohio Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1730-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected May 2, 2000.

“In the Matter of the Application of FirstEnergy Corp. on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of Their Transition Plans and for Authorization to Collect Transition Revenues,” Public Utility Commission of **Ohio**, Case No. 99-1212-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected April 11, 2000.

“2000 Pricing Process,” **Salt River Project** Board of Directors, oral comments provided March 6, 2000 and April 10, 2000.

“Tucson Electric Power Company vs. Cyprus Sierrita Corporation,” **Arizona** Corporation Commission, Docket No. E-000001-99-0243. Direct testimony submitted October 25, 1999. Cross examined November 4, 1999.

“Application of Hildale City and Intermountain Municipal Gas Association for an Order Granting Access for Transportation of Interstate Natural Gas over the Pipelines of Questar Gas Company for Hildale, Utah,” **Utah** Public Service Commission, Docket No. 98-057-01. Rebuttal testimony submitted August 30, 1999.

“In the Matter of the Application by Arizona Electric Power Cooperative, Inc. for Approval of Its Filing as to Regulatory Assets and Transition Revenues,” **Arizona** Corporation Commission,

Docket No. E-01773A-98-0470. Direct testimony submitted July 30, 1999. Cross examined February 28, 2000.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted June 30, 1999. Rebuttal testimony submitted August 6, 1999. Cross examined August 11-13, 1999.

“In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted June 4, 1999. Rebuttal testimony submitted July 12, 1999. Cross examined July 14, 1999.

“In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery,” **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; “In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01933A-97-0772; “In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery,” Docket No. E-01345A-98-0473; “In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.,” Docket No. E-01345A-97-0773; “In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” Docket No. RE-00000C-94-0165. Direct testimony submitted November 30, 1998.

“Hearings on Pricing,” **Salt River Project** Board of Directors, written and oral comments provided November 9, 1998.

“Hearings on Customer Choice,” **Salt River Project** Board of Directors, written and oral comments provided June 22, 1998; June 29, 1998; July 9, 1998; August 7, 1998; and August 14, 1998.

“In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. U-0000-94-165. Direct and rebuttal testimony filed January 21, 1998. Second rebuttal testimony filed February 4, 1998. Cross examined February 25, 1998.

“In the Matter of Consolidated Edison Company of New York, Inc.’s Plans for (1) Electric Rate/Restructuring Pursuant to Opinion No. 96-12; and (2) the Formation of a Holding Company Pursuant to PSL, Sections 70, 108, and 110, and Certain Related Transactions,” **New York** Public Service Commission, Case 96-E-0897. Direct testimony filed April 9, 1997. Cross examined May 5, 1997.

“In the Matter of the Petition of Sunnyside Cogeneration Associates for Enforcement of Contract Provisions,” **Utah** Public Service Commission, Docket No. 96-2018-01; “In the Matter of the Application of Rocky Mountain Power for an Order Approving an Amendment to Its Power Purchase Agreement with Sunnyside Cogeneration Associates,” Docket Nos. 05-035-46, and 07-035-99. Direct testimony submitted July 8, 1996. Oral testimony provided March 18, 2008.

“In the Matter of the Application of PacifiCorp, dba Pacific Power & Light Company, for Approval of Revised Tariff Schedules and an Alternative Form of Regulation Plan,” **Wyoming** Public Service Commission, Docket No. 2000-ER-95-99. Direct testimony submitted April 8, 1996.

“In the Matter of the Application of Mountain Fuel Supply Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Case No. 95-057-02. Direct testimony submitted June 19, 1995. Rebuttal testimony submitted July 25, 1995. Surrebuttal testimony submitted August 7, 1995.

“In the Matter of the Investigation of the Reasonableness of the Rates and Tariffs of Mountain Fuel Supply Company,” **Utah** Public Service Commission, Case No. 89-057-15. Direct testimony submitted July 1990. Surrebuttal testimony submitted August 1990.

“In the Matter of the Review of the Rates of Utah Power and Light Company pursuant to The Order in Case No. 87-035-27,” **Utah** Public Service Commission, Case No. 89-035-10. Rebuttal testimony submitted November 15, 1989. Cross examined December 1, 1989 (rate schedule changes for state facilities).

“In the Matter of the Application of Utah Power & Light Company and PC/UP&L Merging Corp. (to be renamed PacifiCorp) for an Order Authorizing the Merger of Utah Power & Light Company and PacifiCorp into PC/UP&L Merging Corp. and Authorizing the Issuance of Securities, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity and Authorities in Connection Therewith,” **Utah** Public Service Commission, Case No. 87-035-27; Direct testimony submitted April 11, 1988. Cross examined May 12, 1988 (economic impact of UP&L merger with PacifiCorp).

“In the Matter of the Application of Mountain Fuel Supply Company for Approval of Interruptible Industrial Transportation Rates,” **Utah** Public Service Commission, Case No. 86-057-07. Direct testimony submitted January 15, 1988. Cross examined March 30, 1988.

“In the Matter of the Application of Utah Power and Light Company for an Order Approving a Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 87-035-18. Oral testimony delivered July 8, 1987.

“Cogeneration: Small Power Production,” **Federal Energy Regulatory Commission**, Docket No. RM87-12-000. Statement on behalf of State of Utah delivered March 27, 1987, in San Francisco.

“In the Matter of the Investigation of Rates for Backup, Maintenance, Supplementary, and Standby Power for Utah Power and Light Company,” **Utah** Public Service Commission, Case No. 86-035-13. Direct testimony submitted January 5, 1987. Case settled by stipulation approved August 1987.

“In the Matter of the Application of Sunnyside Cogeneration Associates for Approval of the Cogeneration Power Purchase Agreement,” **Utah** Public Service Commission, Case No. 86-2018-01. Rebuttal testimony submitted July 16, 1986. Cross examined July 17, 1986.

“In the Matter of the Investigation of Demand-Side Alternatives to Capacity Expansion for Electric Utilities,” **Utah** Public Service Commission, Case No. 84-999-20. Direct testimony submitted June 17, 1985. Rebuttal testimony submitted July 29, 1985. Cross examined August 19, 1985.

“In the Matter of the Implementation of Rules Governing Cogeneration and Small Power Production in Utah,” **Utah** Public Service Commission, Case No. 80-999-06, pp. 1293-1318. Direct testimony submitted January 13, 1984 (avoided costs), May 9, 1986 (security for levelized contracts) and November 17, 1986 (avoided costs). Cross-examined February 29, 1984 (avoided costs), April 11, 1985 (standard form contracts), May 22-23, 1986 (security for levelized contracts) and December 16-17, 1986 (avoided costs).

## **OTHER RELATED ACTIVITY**

Participant, Oregon Direct Access Task Force (UM 1081), May 2003 to November 2003.

Participant, Michigan Stranded Cost Collaborative, March 2003 to March 2004.

Member, Arizona Electric Competition Advisory Group, December 2002 to present.

Board of Directors, ex-officio, Desert STAR RTO, September 1999 to February 2002.

Member, Advisory Committee, Desert STAR RTO, September 1999 to February 2002. Acting Chairman, October 2000 to February 2002.

Board of Directors, Arizona Independent Scheduling Administrator Association, October 1998 to present.

Acting Chairman, Operating Committee, Arizona Independent Scheduling Administrator Association, October 1998 to June 1999.

Member, Desert Star ISO Investigation Working Groups: Operations, Pricing, and Governance, April 1997 to December 1999. Legal & Negotiating Committee, April 1999 to December 1999.

Participant, Independent System Operator and Spot Market Working Group, Arizona Corporation Commission, April 1997 to September 1997.

Participant, Unbundled Services and Standard Offer Working Group, Arizona Corporation Commission, April 1997 to October 1997.

Participant, Customer Selection Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Stranded Cost Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Electric System Reliability & Safety Working Group, Arizona Corporation Commission, November 1996 to September 1998.

Chairman, Salt Palace Renovation and Expansion Committee, Salt Lake County/State of Utah/Salt Lake City, multi-government entity responsible for implementation of planning, design, finance, and construction of an \$85 million renovation of the Salt Palace Convention Center, Salt Lake City, Utah, May 1991 to December 1994.

State of Utah Representative, Committee on Regional Electric Power Cooperation, a joint effort of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners, January 1987 to December 1990.

Member, Utah Governor's Economic Coordinating Committee, January 1987 to December 1990.

Chairman, Standard Contract Task Force, established by Utah Public Service Commission to address contractual problems relating to qualifying facility sales under PURPA, March 1986 to December 1990.

Chairman, Load Management and Energy Conservation Task Force, Utah Public Service Commission, August 1985 to December 1990.

Alternate Delegate for Utah, Western Interstate Energy Board, Denver, Colorado, August 1985 to December 1990.

Articles Editor, Economic Forum, September 1980 to August 1981.

**Interim Increase Needed to Achieve 18.25% FFO/Debt Ratio in 2009**  
(\$000)

Ln No.	Income Statement <i>APS - Total Company</i>	Year 2009	Source
1	<b>PRESENT (CURRENT) REVENUES</b>	3,131,036	See Note 1
2	<b>AECC PROPOSED INTERIM RATE REVENUE CHANGE</b>	42,362	AECC Input
3	<b>TOTAL REVENUE</b>	<u>3,173,398</u>	Ln. 1 + Ln. 2
4	<b>Total Cost of Revenues</b>	<u>1,210,802</u>	See Note 1
5	<b>GROSS MARGIN</b>	<u>1,962,596</u>	Ln. 3 - Ln. 4
6	<b>OTHER OPERATING EXPENSES</b>		
7	Operations and Maintenance	822,227	See Note 1
8	Depreciation & Amortization	410,447	See Note 1
9	Other Taxes	142,863	See Note 1
10	<b>Total Other Operating Expenses</b>	<u>1,375,537</u>	Ln. 7 + Ln. 8 + Ln. 9
11	<b>INTEREST AND OTHER EXPENSES</b>		
12	Interest Expense	196,979	See Note 1
13	AECC Interest Expense Adj.	(659)	AECC Adjustment
14	AFUDC Debt / Capitalized Interest	(19,263)	See Note 1
15	AFUDC Equity	(24,132)	See Note 1
16	Other (Income) Subtotal	(2,426)	See Note 1
17	Other Expense Subtotal	18,809	See Note 1
18	<b>INCOME BEFORE INCOME TAXES</b>	417,751	Ln. 5 - Ln. 10 - Sum (Ln. 12 : Ln. 17)
19	Income Taxes	133,056	See Note 1
20	AECC Income Tax Expense Adj.	16,933	AECC Adjustment
21	<b>NET INCOME</b>	<u>267,762</u>	Ln. 18 - Ln. 19 - Ln. 20

**Note 1: Data Source - APS Response to ACC Staff Data Request No. 2.4 (Present Rates with No Interim DAK\_WP1)**

**Interim Increase Needed to Achieve 18.25% FFO/Debt Ratio in 2009**  
(S000)

Ln No.	Funds From Operations / Adjusted Average Total Debt	Year 2009	Source
<b><u>Funds From Operations (FFO)</u></b>			
1	Adjusted Net Income	267,762	AECC Net Income Workpaper Ln. 21
2	Depreciation & Amortization	410,447	See Note 1
3	Nuclear Fuel	41,146	See Note 1
4	Deferred Tax	46,241	See Note 1
5	Uncertain Tax Positions	0	See Note 1
6	Deferred Fuel ( Excludes MTM)	3,484	See Note 1
7	Interest on Deferred Fuel	69	See Note 1
8	AFUDC Debt / Capitalized Interest	(19,263)	See Note 1
9	AFUDC	(24,132)	See Note 1
10	Imputed PPA Depreciation - SRP	9,055	See Note 1
11	Imputed PPA Depreciation - 2005 Reliability	7,514	See Note 1
12	Imputed PPA Depreciation - Renewable	0	See Note 1
13	Imputed PPA Depreciation - New PPA's	0	See Note 1
14	Excess (Deficient) Pension & OPEB Contribution	9,800	See Note 1
15	PV 2 Lease - Imputed Depreciation	33,236	See Note 1
16	Other Operating Leases - Imputed Depreciation	21,614	See Note 1
17	<b>Adjusted Funds From Operations</b>	<b>806,973</b>	Sum (Ln. 1 : Ln. 16)
<b><u>Adjusted Total Debt</u></b>			
18	ADJUSTED TOTAL DEBT (2009)		
19	Long-Term Debt	3,277,051	See Note 1
20	Current Maturities of Long-Term Debt	968	See Note 1
21	Short Term Debt	355,697	See Note 1
22	AECC Short Term Debt Adjustment	(23,479)	
23	Imputed PPA Debt SRP	13,406	See Note 1
24	Imputed PPA Debt - 2005 Reliability	117,775	See Note 1
25	Imputed PPA Debt - Renewable	37,782	See Note 1
26	Imputed PPA Debt - New	-	See Note 1
27	Underfunded Pension & OPEB Debt Adjustment	269,300	See Note 1
28	Imputed Debt - PV 2 Lease	239,731	See Note 1
29	Imputed Debt - Other Operating Lease	133,539	See Note 1
30	<b>Adjusted Total Debt (E)</b>	<b>4,421,770</b>	Sum (Ln. 18 : Ln. 29)
31	Total Imputed Debt (2009)	811,533	Sum (Ln. 23 : Ln. 29)
32	<i>Target FFO/Adjusted Total Debt</i>	<b>18.25%</b>	Target Percent = Ln. 17 ÷ Ln. 30

Ln No.	Interim Percent Increase in Base Rates	Amount	Source
33	AECC Proposed Interim Rate Revenue	42,362	AECC Net Income Workpaper Ln. 2
34	APS ACC Jurisdiction Present Rate Revenue (2007)	2,637,447	APS Attachment DJR-1, p. 1 of 2
35	AECC Proposed Percent Increase	<b>1.61%</b>	= Ln. 33 ÷ Ln. 34

**Note 1: Data Source - APS Response to ACC Staff Data Request No. 2.4 (Present Rates with No Interim DAK\_WP1)**

BEFORE THE ARIZONA CORPORATION COMMISSION

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)

Docket No. E-01345A-08-0172

AFFIDAVIT OF KEVIN C. HIGGINS

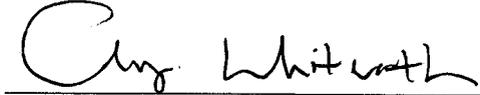
STATE OF UTAH )  
 )  
COUNTY OF SALT LAKE )

Kevin C. Higgins, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Kevin C. Higgins;"
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and
5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Kevin C. Higgins

Subscribed and sworn to or affirmed before me this 27<sup>th</sup> day of August, 2008, by Kevin C. Higgins.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 7-15-2012

