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BEFORE THE ARIZONA CORPORATION COMMISSION

2008 SEP 11 A 11: 21

COMMISSIONERS

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GARY PIERCE

AZ. CORP. COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR A HEARING  
TO DETERMINE THE FAIR VALUE OF  
THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING  
PURPOSES, TO FIX A JUST AND  
REASONABLE RATE OF RETURN  
THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN

Docket No. E-01345A-08-0172

**NOTICE OF FILING SUMMARY  
OF PRE-FILED TESTIMONY OF  
KEVIN C. HIGGINS  
ON BEHALF OF FREEPORT-  
MCMORAN COPPER & GOLD INC.  
AND ARIZONANS FOR ELECTRIC  
CHOICE AND COMPETITION  
("AECC")**

**(INTERIM RATES)**

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

RESPECTFULLY SUBMITTED this 11<sup>th</sup> day of September 2008.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission

DOCKETED

SEP 11 2008

DOCKETED BY

By

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Attorneys for Freeport-McMoRan Copper & Gold Inc.  
and Arizonans for Electric Choice and Competition

1 **ORIGINAL and 13 COPIES** of the foregoing  
2 **FILED** this 11<sup>th</sup> day of September 2008 with:

3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 **COPY** of the foregoing was **HAND-DELIVERED/**  
8 **MAILED/OR \*E-MAILED** this 11<sup>th</sup> day of September 2008 to:

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By: *Mary Bollington*

1 Summary of Pre-Filed Testimony of Kevin C. Higgins  
2 on Behalf of Freeport-McMoRan Copper & Gold Inc.  
3 and Arizonans for Electric Choice and Competition ("AECC")  
4 (Interim Rates)  
5 Docket No. E-01345A-08-0172

6 September 11, 2008

7 AECC Witness Kevin C. Higgins's Testimony addresses APS's request for an  
8 interim rate increase and recommends adjustments to the Company's proposals that Mr.  
9 Higgins believes are necessary to ensure results that are just and reasonable.

10 In light of the cash flow pressures being experienced by APS, Mr. Higgins  
11 concludes that some interim rate relief is warranted to protect retail customers from the  
12 negative consequences of a credit downgrade, but the amount of relief needed is  
13 significantly less than the amount requested by the Company. Specifically, Mr. Higgins  
14 believes it is appropriate to grant an interim rate increase, subject to refund with interest,  
15 sufficient to permit APS to attain a Funds-from-Operations/Debt Ratio of 18.25 percent in  
16 2009. Mr. Higgins calculates that this ratio can be attained through an interim rate  
17 increase of \$42.4 million on an annualized basis. This incremental revenue should be  
18 recovered through an equal-percentage surcharge of no greater than 1.61 percent on the  
19 base rate portion of customer bills effective January 1, 2009. This percentage increase  
20 should be reduced slightly by adjusting for 2009 load growth.

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