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AZ CORP COMMISSION
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5 Attorneys for Arizona School Boards Association
6 and Arizona Association of School Business
7 Officials

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 MIKE GLEASON, CHARIMAN
11 WILLIAM A. MUNDELL
12 JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

13
14 IN THE MATTER OF THE APPLICATION
15 OF ARIZONA PUBLIC SERVICE
16 COMPANY FOR A HEARING TO
17 DETERMINE THE FAIR VALUE OF THE
18 UTILITY PROPERTY OF THE COMPANY
19 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 TESTIMONY

Arizona Corporation Commission
DOCKETED

DEC 19 2008

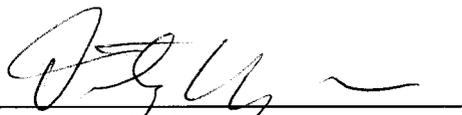
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23 The Arizona School Boards Association ("ASBA") and Arizona Association of
24 School Business Officials ("AASBO"), through its undersigned counsel, hereby provide
25

1 notice that they have this day filed the written direct testimony of Chuck Essigs in
2 connection with the above-captioned matter.

3 DATED this 19th day of December, 2008.

4 ARIZONA CENTER FOR LAW IN
5 THE PUBLIC INTEREST

6
7 By 

8 Timothy M. Hogan
9 202 E. McDowell Rd., Suite 153
10 Phoenix, Arizona 85004
11 Attorneys for Arizona School Boards
12 Association and Arizona Association
13 of School Business Officials

14 ORIGINAL and 13 COPIES of
15 the foregoing filed this 19th day
16 of December, 2008, with:

17 Docket Control
18 Arizona Corporation Commission
19 1200 W. Washington
20 Phoenix, AZ 85007

21 COPIES of the foregoing
22 electronically transmitted
23 this 19th day of December, 2008
24 to:

25 All Parties of Record



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

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, AND TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01345A-08-0172

Permanent Rate Case

Direct Testimony of

Chuck Essigs

On Behalf of

**Arizona School Boards Association
and Arizona Association of School Business Officials**

December 19, 2008

1 employees and provides information to members on the laws and regulations that impact
2 the business operation of school districts.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. This is the first time that ASBA/AASBO have intervened in a utility rate proceeding at
5 the Commission. In previous proceedings, we have provided public comment but have
6 been challenged by Commissioners to become more involved in rate proceedings to
7 advance the interests of Arizona public schools. This case represents our first effort at
8 doing so. We hope that our participation in this proceeding will be a first step toward a
9 more substantial effort on the part of ASBA/AASBO to assist Arizona's public schools in
10 managing their energy consumption in an economic and efficient manner.

11 **Q. PLEASE DESCRIBE THE FUNDING OF ARIZONA'S PUBLIC SCHOOLS
12 RELATIVE TO OTHER STATES.**

13 A. The per pupil spending for operations by Arizona school districts ranks low when
14 compared to per pupil spending in other states. The National Center for Educational
15 Statistics in its latest report for the 2005-06 school year reported that Arizona per pupil
16 spending on K-12 education ranked 48th with expenditures of \$6,515 per student. Only
17 Utah and Idaho spent less per pupil than Arizona. The American Legislative Exchange
18 Council ("ALEC") reported Arizona spending per pupil was \$6,339 which was \$2,956
19 below the national average of \$9,295.

20 **Q. ARE THERE ANY CONSTRAINTS ON THE FUNDING THAT IS AVAILABLE
21 TO ARIZONA'S PUBLIC SCHOOLS?**

22 A. Yes. The Arizona Legislature has prescribed budget limitations for Arizona school
23 districts. For the upcoming 2009-10 school year, the legislative formula will determine
24 the total amount that school districts will be allowed to spend. Increases in utility rates
25 are not part of the funding formula and any increased costs due to utility rate increases
26 will need to be paid for by reducing expenditures in other areas of school districts'

1 budgets. Therefore, it is imperative to mitigate the impacts on Arizona's public schools
2 of the rate request sought by Arizona Public Service Company in this proceeding.

3 Beginning with the 2009-10 school year, school districts will no longer have a
4 source of additional funds to help defray the costs of utility expenses. These additional
5 funds had been provided by a formula called "Excess Utility Costs" and helped school
6 districts adjust to increased utility costs due to rate increases. A new formula for school
7 districts to assist with utility costs will help school districts with utility rate increases that
8 became effective in 2007-08 but rate increases in the 2009-10 timeframe will not be
9 reflected in school funding until the 2011-12 school year.

10 Because of the significant impact that increased utility rates will have on Arizona
11 school districts, ASBA and AASBO have taken the step of intervening in this proceeding
12 to cooperate with the Commission and APS in developing solutions that are fair and
13 equitable for Arizona's public schools.

14 **Q. DO YOU HAVE ANY SPECIFIC RECOMMENDATIONS TO MAKE IN THIS**
15 **PROCEEDING?**

16 A, Yes. We want to work with APS to improve their demand side management ("DSM")
17 programs to help school districts become more energy efficient. Through these efforts,
18 we hope to reduce demands on the energy production needs of the state and also
19 contribute to a reduction in utility costs for school districts.

20 Included in this effort would be a simplified pre-approval process for lighting
21 improvements and equipment upgrades with 100% of the funding of those projects
22 coming from an APS DSM funding program. The districts' share of the costs come from
23 district payments to APS as outlined in A.R.S. § 15-213.02. Improvements to the DSM
24 program will be of assistance to both APS and the school districts that purchase their
25 electric power from APS.

1 While school districts will continue to take advantage of incentives that are in
2 place for the installation of renewable energy resources, we believe that school districts
3 and APS could also work on cooperative programs to expand renewable energy
4 resources. Under this proposal, APS would use school property for solar projects. APS
5 could lease school property and compensate the school district for the use of the school
6 property. Compensation could reflect reduced costs for electricity to the participating
7 school districts. A cooperative effort between school districts and APS could benefit
8 both entities and the effort could provide valuable assistance to Arizona in expanding
9 renewable energy resources.

10 In addition to these proposals, we expect to provide rate design testimony to
11 address rates that could be designed for Arizona's public schools to promote the more
12 efficient use of electric energy and reduce utility costs.

13 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes.

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18

CHUCK ESSIGS

PUBLICATIONS AND TECHNICAL REPORTS

School Finance, In Boardmanship: A Guide for Governing Members, Arizona School Boards Association, Inc., 1994-2000

Public School and Community School Finance in Arizona, Arizona Legislature, November, 1979.

Special Education in Arizona, Joint Select Committee of the Arizona Legislature, October, 1975.

Planning for the Funding of Special Education, General-Special Education Administrative Conference, UCEA Western Region, May, 1975.

Video Tape Technology in Clinical Supervision of the Improvement of Special Education Instruction, National Council for Exceptional Children Convention, Los Angeles, April, 1975.

Special Education - Planning for Programs, Tucson: Bureau of School Services, University of Arizona, January, 1975.

Alternative Special Education Administrative Operations, In Program Alternatives for Special Services, E.S.E.A. Title III, 1974.

The Place of Clinical Supervision in Teacher Evaluation, Phi Delta Kappa Workshop, Tucson, November, 1974.

Funding Charter Schools, Arizona School Boards Journal, Arizona School Boards Association, Inc., 1995.

Funding Charter Schools in Arizona, School Business Affairs, Association of School Business Affairs International, 1997.

MISCELLANEOUS

Member, Joint Legislative Committee on Funding Priorities for Arizona School Districts

Member, Joint Legislative Committee on Goals for Arizona's Educational Excellence

Director, Arizona Principals' Academy III - July 1984, Northern Arizona University, Flagstaff, Arizona

Consultant, Development of Application Procedures for P.L. 94-142, National Association of Directors of Special Education, Washington, D.C.

Consultant, Development of a Management System for the Pierre Indian School, National Indian Training and Research Center, Tempe, Arizona

Past Member, Governor's Council on Developmental Disabilities

Past Member, Arizona Council for the Deaf

Board of Directors, The Arizona Partnership, 1990

Research Staff, Governor's Finance and Equalization Subcommittee, 1991

Past President, Arizona Association of School Business Officials

Past Member, Mesa Chamber of Commerce Education Committee

Past Member, Mesa Chamber of Commerce Legislative Committee

Board of Directors, Northeast Shea Property Owners Association, 1992

1992 Good Government Award, Arizona Tax Research Association

Board of Directors, Arizona State Retirement System

Past President, Arizona State Board for School Capital Facilities, 1998

Board of Directors, Mesa Chamber of Commerce

Board of Directors, Arizona Town Hall

Governor's School Readiness Board