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**Via Overnight Mail**

June 29, 2009

Arizona Corporation Commission  
Attn: Docket Filing Window  
1200 Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission

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JUN 30 2009

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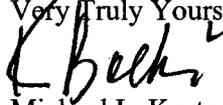
**Re: Docket No. E-01345A-08-0172**

Dear Sir or Madam:

Please find enclosed the original and thirteen (13) copies of the SUPPLEMENTAL DIRECT TESTIMONY OF STEPHEN J. BARON on behalf of THE KROGER CO. filed in the above-referenced matter.

All parties of record have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
**BOEHM, KURTZ & LOWRY**

John William Moore, Jr.,  
Arizona Bar No. 021942

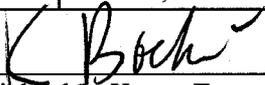
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Attachments

**CERTIFICATE OF SERVICE**

I hereby certify that true copy of the foregoing was served by regular U.S. mail (unless otherwise noted), this 29<sup>TH</sup> day of June, 2009 on the parties listed on the attached service list.

<b>Company</b>	<b>Contact</b>	<b>Address</b>
	Nicholas Enoch	349 N. Fourth Ave. Phoenix, Arizona 85003
	Cynthia Zwick	1940 E. Luke Avenue Phoenix, Arizona 85016
	Scott Canty	The Hopi Tribe Kykotsmovi, Arizona 86039
	Jeffrey Woner	K.R. SALINE & ASSOC., PLC Mesa, Arizona 85201
	Daniel Pozefsky	1110 West Washington, Suite 220 Phoenix, Arizona 85007
	Jason Moyes	1405 W. 16th Street Yuma, Arizona 85364
	Arizona Reporting Service, Inc.	2200 N. Central Ave. -502 Phoenix, Arizona 85004-1481
	Janice Alward	1200 W. Washington Phoenix, Arizona 85007
	Timothy Hogan	202 E. McDowell Rd. - 153 Phoenix, Arizona 85004
	David Berry	P.O. Box 1064 Scottsdale, Arizona 85252-1064
	Jeff Schlegel	1167 W. Samalayuca Dr. Tucson, Arizona 85704-3224
	Michael Curtis	501 East Thomas Road Phoenix, Arizona 85012-3205
	Michael Grant	2575 E. Camelback Rd. Phoenix, Arizona 85016-9225
	Gary Yaquinto	Arizona Utilitiy Investors Association Phoenix, Arizona 85004
	Lawrence Robertson, Jr.	2247 E. Frontree Rd., Suite 1 Tubac, Arizona 85646
	C. Webb Crockett	3003 N. Central Ave. - 2600 Phoenix, Arizona 85012-2913
Arizona Corporation Commission	Lyn Farmer	1200 W. Washington Phoenix, Arizona 85007-2927
Arizona Corporation Commission	Ernest Johnson	1200 W. Washington Phoenix, Arizona 85007-2927
Arizona Public Service Company	Thomas Mumaw	PO Box 53999 Phoenix, Arizona 85072-3999

  
\_\_\_\_\_  
Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.

BEFORE THE  
ARIZONA CORPORATION COMMISSION

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**Kristin K. Mayes, Chairman**  
**Gary Pierce**  
**Paul Newman**  
**Sandra D. Kennedy**  
**Bob Stump**

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 ) Docket No. E-01345A-08-0172  
FOR RATEMAKING PURPOSES, TO FIX A JUST )  
AND REASONABLE RATE OF RETURN )  
THEREON, TO APPROVE RATE SCHEDULES )  
DESIGNED TO DEVELOP SUCH RETURN )

**SUPPLEMENTAL DIRECT**  
**TESTIMONY**  
**OF**  
**STEPHEN J. BARON**

**ON BEHALF OF THE**  
**KROGER CO.**

**J. KENNEDY AND ASSOCIATES, INC.**  
**ROSWELL, GEORGIA**  
**July 2009**

**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 ) Docket No. E-01345A-08-0172  
FOR RATEMAKING PURPOSES, TO FIX A JUST )  
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THEREON, TO APPROVE RATE SCHEDULES )  
DESIGNED TO DEVELOP SUCH RETURN )**

**SUPPLEMENTAL DIRECT TESTIMONY OF STEPHEN J. BARON**

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

2     A.     My name is Stephen J. Baron. My business address is J. Kennedy and Associates,  
3            Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell,  
4            Georgia 30075.

5     **Q.     Have you previously submitted testimony in the proceeding?**

6     A.     Yes. I submitted Direct Testimony.

7     **Q.     What is the purpose of your Supplemental Direct Testimony?**

1       A.    I will be presenting brief testimony in support of the Proposed Rate Settlement  
2            Agreement of June 12, 2009 ("Settlement Agreement"). Kroger Company is a  
3            signatory to this agreement and fully supports the settlement for the reasons that I  
4            will discuss below. Kroger did not present testimony on the overall level of APS'  
5            revenue requirement increase. Our testimony was limited to the allocation of the  
6            overall approved revenue increase to rate classes ("revenue spread") and to specific  
7            rate design issues affecting general service rates. Consistent with this prior  
8            testimony, my Supplemental Direct testimony will only address these issues within  
9            the context of the Settlement Agreement. Notwithstanding this, Kroger supports the  
10           entire settlement and believes that it will result in reasonable rates.

11       **Q.    Have you specifically reviewed the provisions of the Settlement Agreement**  
12            **regarding revenue spread?**

13       A.    Yes. The Settlement Agreement requires a uniform percentage revenue increase to  
14            each retail rate schedule. Based on my review of the Company's filed class cost of  
15            service study, I believe that this is a reasonable settlement result. There are also  
16            specific provisions that govern the increases within the E-32 rate schedule, which is  
17            delineated by kW demand into four sub-groups. These provisions of the settlement  
18            are reasonable and consistent with the class cost of service study results presented by  
19            the Company in this case.

1       **Q.    Have you reviewed the proposed settlement rate design for general service Rate**  
2       **E-32?**

3       A.    Yes. The settlement requires that the demand and energy charges for the  
4       largest sub-group of Rate E-32 (“401 + kW”) receive equal percentage  
5       increases in the demand and energy charges, coupled with APS’ proposed  
6       customer charge. I support this proposal and believe that it is reasonable and  
7       appropriate. I therefore fully support and recommend approval of the  
8       Settlement Agreement.

9       **Q.    Are there additional reasons why you believe that the Commission**  
10       **should approve the Settlement Agreement?**

11      A.    Yes. The rate case moratorium provision, preventing APS from filing a new  
12      base rate case prior to June 1, 2011 is likely to be of significant benefit to all  
13      of the Company’s ratepayers.

14      **Q.    Does that complete your testimony?**

15      A.    Yes.