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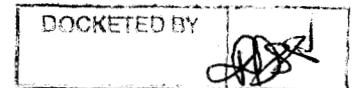
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2011 JUL 14 P 12:05

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

JUL 14 2011



Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

July 13, 2011

Re: Notice of Summary of Testimony and Summary of Testimony on Behalf of
Sierra Club in Docket Number E-01345A-10-0474

To Whom It May Concern:

Please find enclosed the original and 13 copies of the Notice of Summary of
Testimony, Proof of Service, and Summary of Testimony of David A. Schlissel on
behalf of Sierra Club. One copy has been mailed to each of the parties on the service
list.

Please do not hesitate to contact me if you have any questions. Thank you.

Sincerely,

Jeff Speir

Program Assistant

Sierra Club Environmental Law Program

85 Second Street, 2nd Floor

San Francisco, CA 94105

(415) 977-5595

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1 Before the Arizona Corporation Commission

2 RECEIVED

3 COMMISSIONERS

2011 JUL 14 P 12: 05

4 GARY PIERCE, CHAIRMAN
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP
8 BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

9 IN THE MATTER OF THE APPLICATION
10 OF ARIZONA PUBLIC SERVICE
11 COMPANY FOR AUTHORIZATION FOR
12 THE PURCHASE OF GENERATING
13 ASSETS FROM SOUTHERN CALIFORNIA
14 EDISON AND FOR AN ACCOUNTING
15 ORDER.

Docket No. E-01 345A-10-0474

**Sierra Club Notice of Filing Summary of
Witness Testimony**

16 Sierra Club hereby files the summary of testimony of Sierra Club witness David

17 A. Schlissel in the above captioned proceeding.

18 Dated this 13th day of July, 2011

19 

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24 Phone: 415-977-5727
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Attorney for Sierra Club

PROOF OF SERVICE

I hereby certify that I have this day served the foregoing documents on the following parties in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

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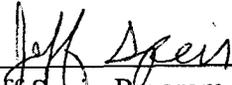
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Greg Patterson
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Dated at San Francisco, California this 13th day of July, 2011.



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**SUMMARY OF TESTIMONY
SIERRA CLUB WITNESS DAVID A. SCHLISSEL**

**IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE
COMPANY FOR AUTHORIZATION FOR THE PURCHASE OF GENERATING
ASSETS FROM SOUTHERN CALIFORNIA EDISON AND FOR AN
ACCOUNTING ORDER
Docket No. E-01345A-10-0474**

I. SUMMARY OF DIRECT TESTIMONY

APS's modeling analyses show that retirement of Four Corners Units 1, 2 and 3 is a significantly less expensive option than retrofitting those units with new emissions controls. This is true whether APS replaces the capacity from Four Corners Units 1, 2 and 3 with SCE's share of Four Corners Units 4-5 or with natural gas-fired combined cycle capacity.

However, the results of the Company's modeling analyses are biased in favor of the proposal to purchase SCE's share of Four Corners Units 4-5 by the following:

- a. APS has not presented any evidence, beyond its speculation, that Four Corners Units 4-5 actually would be retired if it does not purchase SCE's share of the units.
- b. The Company fails to fully consider a wide range of potential alternatives for replacing Four Corners such as:
 - Converting one or more of its existing turbines to a combined cycle unit.
 - Extending an existing or entering into a new Power Purchase Agreement ("PPA") for the capacity and energy from an existing merchant combined cycle unit.
 - Including additional renewable resources as part of a portfolio of alternatives.
- c. Although APS repeatedly emphasizes the risks posed by natural gas price volatility, it ignores the risks associated with the continued operation of the Four Corners Units 4-5 that are currently over 40 years old, having entered commercial service in 1969-1970. In particular, without any supporting evidence, the Company very optimistically assumes that Units 4-5 will continue to operate at very high levels of performance as they age up to and beyond the age of sixty.

APS significantly overstates the potential risk posed by natural gas price volatility. APS fails to address the significant economic risks associated with the continued operation of Four Corners Units 4-5.

The Commission should not rely on APS's life cycle levelized cost analysis as evidence that purchasing Southern California Edison's share of Four Corners Units 4-5 would be the lowest cost option.

II. RECOMMENDATIONS

Sierra Club recommends that the Commission:

1. Order APS to begin planning to retire Four Corners Units 1-3 in 2012 or 2014.
2. Reject APS's proposed acquisition of SCE's share of Four Corners Units 4-5 with leave to refile the Application to include analyses of the technical feasibility and economic viability of (a) obtaining replacement combined cycle capacity from the competitive wholesale market; (b) converting one or more of APS's existing combustion turbines to combined cycle technology; and (c) including the additional renewable resources in an alternative portfolio with natural gas combined cycle capacity.