



0000133646

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JAN 25 2012

DOCKETED BY 

AZ CORP COMMISSION
DOCKET CONTROL

2012 JAN 25 PM 1:39

RECEIVED

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)

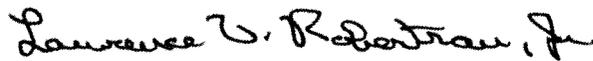
DOCKET NO. E-01345A-11-0224

NOTICE OF FILING
TESTIMONY SUMMARY OF
MARY LYNCH

Noble Americas Energy Solutions LLC, Constellation NewEnergy, Inc., Direct Energy, LLC and Shell Energy North America (US), L.P. hereby provide notice of filing the testimony summary of Mary Lynch.

Dated this 25th day of January 2012.

Respectfully submitted,



Lawrence V. Robertson, Jr.
Attorney for Noble Americas Energy Solutions LLC, Constellation NewEnergy, Inc., Direct Energy, LLC and Shell Energy North America (US), L.P.

1 The original and thirteen (13) copies
2 of the foregoing will be filed this 25th
3 day of January 2012 with:

3 Docket Control Division
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

6 A copy of the same served by e-mail or first
7 class mail this same date to:

8 All Parties of Record
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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-11-0224

Summary of testimony submitted on January 18, 2012 by
Mary Lynch on behalf of
Noble Americas Energy Solutions LLC, Constellation NewEnergy, Inc.,
Direct Energy, LLC and Shell Energy North America (US), L.P.

Docket No. E-01345A-11-0224

1 On January 6, 2012, a Proposed Settlement Agreement ("Agreement") was
2 submitted to the Arizona Corporation Commission ("Commission") by the Commission
3 Staff ("Staff") on behalf of Arizona Public Service Company ("APS") and other
4 signatories to the Agreement. Noble Americas Energy Solutions LLC, ("Noble
5 Solutions"), Constellation NewEnergy, Inc. ("Constellation"), Direct Energy LLC
6 ("Direct Energy"), and Shell Energy North America (US), L.P. ("Shell Energy") are
7 signatories to the Agreement. Attachment J to the Agreement describes a proposed
8 Experimental Rate Rider Schedule AG-1 ("Rate Schedule AG-1"). If approved, Rate
9 Schedule AG-1 will allow large commercial and industrial customers in the APS service
10 territory to select a Generation Service Provider ("GSP") who will provide Generation
11 Service to APS on the customer's behalf.

12 On January 18, 2012, Mary Lynch submitted testimony on behalf of Noble
13 Solutions, Constellation, Direct Energy, and Shell Energy (together referred to as the
14 "GSP Parties") in support of the Agreement and Rate Schedule AG-1. Ms. Lynch is the
15 Vice President, Regulatory and Legislative Affairs, West Region for Constellation. Ms.
16 Lynch has worked in the energy industry since 1985 and currently is responsible for
17 CNE's regulatory and legislative affairs in the WECC region, with a particular focus on
18 market development issues, including retail choice, resource adequacy, capacity markets,
19 utility procurement practices, and emerging environmental requirements.

20 Ms. Lynch's testimony explains that implementation of Rate Schedule AG-1 will
21 include interested parties working collaboratively with APS and Staff to finalize the
22 program guidelines that will address the details of customer enrollment, APS's provision
23 of imbalance energy, as well as energy scheduling and billing protocols. Ms. Lynch also
24 explains that entities such as the GSP Parties would work with customers who are eligible
25 for service under Rate Schedule AG-1 to establish commercial terms acceptable to both

1 parties, which would enable the customer to select a GSP for delivery of Generation
2 Service to APS on the eligible customer's behalf. In that regard, Ms. Lynch observes that
3 the process of establishing commercial terms under which an eligible customer would
4 select a GSP will be highly competitive.

5 Ms. Lynch's testimony discusses why the GSPs believe that there will be
6 significant interest on the part of eligible customers to take service under Rate Schedule
7 AG-1. The reasons include (i) information provided by APS on the number of customers
8 that will be eligible, (ii) the strong interest that occurred in California when customers
9 were allowed to choose alternative suppliers in 2010 for the first time in nearly ten years,
10 (iii) the fact that at least some of the customers who are eligible for service under Rate
11 Schedule AG-1 have nationwide operations that are already competitively shopping for
12 electricity in other jurisdictions, and (iv) the fact that several parties to this proceeding
13 either are or represent eligible customers and have expressed support for the Agreement
14 and Rate Schedule AG-1.

15 In her testimony, Ms. Lynch also discusses the benefits of Rate Schedule AG-1 to
16 eligible customers and to the general Arizona public. Specifically, eligible customers will
17 be able to more actively manage their energy related costs under Rate Schedule AG-1 and
18 avoid the price volatility that can accompany utility tariffs. In addition, competition
19 among GSPs to provide service to eligible customers will create downward pressure on
20 prices and spur the development of innovative energy products and services. In that
21 regard, any savings that customers achieve while on Rate Schedule AG-1 could be used to
22 support other aspects of their businesses, which in turn could create benefits for the
23 Arizona economy. Ms. Lynch further explains that these benefits are achieved without
24 requiring residential customers to compensate APS for any unrecovered fixed generation
25 costs that APS might experience as a consequence of the Rate Schedule AG-1, since the

1 Agreement specifically precludes that possibility.

2 Finally, Ms. Lynch's testimony explains that the service contemplated under Rate
3 Schedule AG-1 differs from retail electric competition in two significant ways. First,
4 deliveries of energy by the GSP are to APS, not to the customer. Upon taking title to the
5 energy delivered to it by the GSP, APS continues to provide transmission and delivery
6 service to the customer, and to directly bill the customer for the electricity consumed by
7 the customer, even though the customer will be billed for energy based on the price
8 negotiated between the GPS and Rate Schedule AG-1 customer. Second, because APS
9 remains the supplier of energy to the customer, the GSP is not required to obtain a
10 Certificate of Convenience and Necessity ("CC&N"). In connection with the foregoing,
11 Ms. Lynch notes that Rate Schedule AG-1 is similar to customer choice programs in both
12 Washington and Montana.

13
14
15
16
17
18
19
20
21
22
23
24
25

26