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BEFORE THE ARIZONA CORPORATION COMMISSION  
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7  
8 IN THE MATTER OF THE APPLICATION OF  
9 ARIZONA PUBLIC SERVICE COMPANY  
10 FOR A HEARING TO DETERMINE THE  
11 FAIR VALUE OF THE UTILITY PROPERTY  
12 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-11-0224

Arizona Corporation Commission  
**DOCKETED**

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**NOTICE OF FILING**

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16 The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides

17 notice of filing the Testimony Summaries of Jodi A. Jerich and Frank W. Radigan in the

18 above-referenced matter.

19

20 RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of January, 2012.

21

22

23 Daniel W. Pozefsky

24 Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES  
of the foregoing filed this 27<sup>th</sup> day  
2 of January, 2012 with:

3 Docket Control  
Arizona Corporation Commission  
4 1200 West Washington  
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5 COPIES of the foregoing hand delivered/  
6 e-mailed or mailed this 27<sup>th</sup> day of January, 2012 to:

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By   
Ernestine Gamble

ARIZONA PUBLIC SERVICE COMPANY  
Docket No. E-01345A-11-0224

SUMMARY OF THE TESTIMONY OF JODI A. JERICH  
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

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The purpose of my testimony is to explain RUCO's support of the proposed Settlement Agreement.

My testimony outlines the benefits to the residential consumer (pp. 8-10) and the benefits to the Company (p. 10).

RUCO supports the Settlement Agreement because it provides a zero dollar base rate increase with the average residential ratepayer seeing a small decrease in his overall bill in 2012.

Notably, the Settlement Agreement resolves the issue of decoupling in a manner RUCO finds equitable. The Commission can authorize whatever level of energy efficiency it wishes, and the Company can maintain its financial health under the "*LFCR plus Opt Out*" solution.

- A narrowly tailored "Lost Fixed Cost Recovery" mechanism that allows the Company to recover lost revenues directly associated with its EE and DG programs. Unlike full revenue decoupling, the LFCR does not recover lost revenues due to the economy, weather or other factors not associated with energy efficiency.
- A viable and attractive "opt out" rate for residential ratepayers who do not wish to be subject to the LFCR.

ARIZONA PUBLIC SERVICE COMPANY  
Docket No. E-01345A-11-0224

SUMMARY OF THE TESTIMONY OF JODI A. JERICH  
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

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- The opt out rate is integral to RUCO's support of the Settlement Agreement.
- The opt out rate is a small 1%-2% increase in the basic service charge in lieu of the LFCR and **is not** a Straight Fixed Variable (SFV) rate design option.
- The opt out rate provides rate stability which RUCO believes sends a clear price signal for savings related to reduced usage.
- The opt out rate provides enhanced customer choice and flexibility and – after all the emotionally charged public comment the Commission has received in opposition to decoupling – may even promote consumer good will.
- The Settlement Agreement allows residential customers to participate in both the LFCR and the opt out rate to see which option works best for them.
- The opt out rate provides the Company and the ACC information going forward on customer attitudes and rate design choice regarding decoupling.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS:

Gary Pierce, Chairman  
Bob Stump  
Sandra D. Kennedy  
Paul Newman  
Brenda Bums

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-11-0224

EXECUTIVE SUMMARY  
FOR THE  
PREFILED TESTIMONY  
IN SUPPORT OF THE PROPOSED SETTLEMENT AGREEMENT  
OF  
FRANK W. RADIGAN  
ON BEHALF OF  
RESIDENTIAL UTILITY CONSUMER OFFICE  
January 26, 2012

**EXECUTIVE SUMMARY**

Mr. Radigan testifies to the technical aspects of the proposed Settlement Agreement. Mr. Radigan notes that to the consumer the while one important element of the Settlement is that there is no increase in base rates but notes other elements of the Settlement also important value to the consumer. This is because there were many parties who showed in their direct case that there was no need for a rate increase at this time so the Settlement provides for the expected outcome. As to the other important elements, Section 2.1 of the Settlement states that APS agrees not to file its next general rate case prior to May 31, 2015 and no new base rates resulting from APS's next general rate case will be effective before July 1, 2016. To consumers this is a key element of the settlement as it represents a four-year moratorium on rate cases where ratepayers will see no increase in base rates and it puts the onus on management to control operating expenses, minimize capital expenditures, and improve the productivity of its work force. Other key elements of the Settlement Agreement to the consumer are:

- 1) an opt-out rate design for residential customers who choose not to participate in the Lost Fixed Cost Recovery ("LFCR"),
- 2) a narrowly-tailored LFCR mechanism that supports energy efficiency and distributed generation at any level or pace set by this Commission, and
- 3) a process for simplifying customers' bill format, and 4) elimination of the Company's proposed changes to the adjustor mechanisms (i.e., the Transmission Cost Adjustor, the withdrawal of the request to recover chemical costs through the Power Supply Adjustor, the withdrawal of the request for the introduction of an Environmental and Reliability Account).

Mr. Radigan also testifies that there are two elements of the Settlement that could cause rates to increase above the zero percent level. The first is the fact that the PSA is due to be reset in February 2013 (See Section 4.1). The second is that in Docket No. E-01345A-10-0474, APS has sought Commission permission to pursue acquisition of Southern California Edison's current ownership interest in Four Corners Units 4 and 5 and to retire Four Corners Units 1-3. APS forecasts that because of the Settlement the average residential bill will increase from \$130.95 to \$138.45 for an overall change of 5.7%. While Mr. Radigan recognizes that forecasting fuel costs is fraught with uncertainty and there is no certainty that the Four Corners Transaction will take place, it is important that the Commission be aware of the rate impacts given that it has final approval of the terms of the Settlement.