

**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  
for Ratemaking Purposes, to Fix a Just and Reasonable  
Rate of Return Thereon, to Approve Rate Schedules Designed to Develop  
Such Return, and to Amend Decision No. 67744**

**Docket No. E-01345A-05-0816**

**In the Matter of the  
Inquiry into the Frequency of Unplanned Outages  
during 2005 at Palo Verde Nuclear Generating Station,  
the Causes of the Outages, the Procurement of Replacement Power  
and the Impact of the Outages on  
Arizona Public Service Company's Customers**

**Docket No. E-01345A-05-0826**

**In the Matter of the  
Audit of the Fuel and Purchase Power Practices  
of the Arizona Public Service Company**

**Docket No. E-01345A-05-0827**

**Surrebuttal Testimony of  
David A. Schlissel  
on behalf of  
The Residential Utility Consumer Office**

**September 27, 2006**

**Dockets Nos. E-01345A-5-0816, E-01345A-05-0826 and E-01345A-0827**  
**Surrebuttal Testimony of David A. Schlissel**

1 **Q. Mr. Schlissel, please state your name, position and business address.**

2 A. My name is David A. Schlissel. I am a Senior Consultant at Synapse Energy  
3 Economics, Inc, 22 Pearl Street, Cambridge, MA 02139.

4 **Q. On whose behalf are you testifying in this case?**

5 A. I am testifying on behalf of the Residential Utility Consumer Office (“RUCO”).

6 **Q. Mr. Schlissel, have you previously filed testimony in this proceeding?**

7 A. Yes. I filed direct testimony on August 18, 2006.

8 **Q. What is the purpose of this surrebuttal testimony?**

9 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimony  
10 filed by Arizona Public Service Company (“APS”) witness Peter Ewen which  
11 criticizes the variable O&M adjustment in my direct testimony.

12 **Q. What is Mr. Ewen’s criticism of your proposed O&M adjustment?**

13 A. He claims that my proposed adjustment is inconsistent with the ACC Staff’s  
14 consultants which found that “O&M expenditure patterns [to be] consistent with  
15 operation requirements.”<sup>1</sup>

16 **Q. Is this a valid criticism?**

17 A. No. The Staff consultant review referenced by Mr. Ewen examined the historic  
18 O&M expenditures at APS’ fossil station and not the Company’s projected future  
19 levels of expenditures.<sup>2</sup> In contrast, my proposed adjustments did not address at  
20 all the reasonableness of historic O&M expenditures. Instead, my adjustments  
21 were focused (1) on making the Company’s projected normalized variable O&M  
22 rate case requests for the PWEC and Sundance facilities consistent with APS’  
23 most recent projections of the expected generation of the those units during the

---

<sup>1</sup> Rebuttal Testimony of Peter M. Ewen, at page 13, lines 4-5.

<sup>2</sup> August 31, Liberty Consultant Group *Final Audit Report APS Fuel and Purchased Power Procurement and Costs Non-Confidential Version*, at page 92.

**Dockets Nos. E-01345A-5-0816, E-01345A-05-0826 and E-01345A-0827**  
**Surrebuttal Testimony of David A. Schlissel**

1           years 2006-2008 and (2) ensuring that the Company's requested O&M reflect the  
2           actual levels of 2004 expenditures at the PWEC units as reflected in APS'  
3           response to Data Requests UTI-11-329.<sup>3</sup> As I noted in my direct testimony, APS'  
4           projected variable O&M were based on the Company's 2005 Long Range  
5           Forecast and not on the more recent 2006 Rate Case Forecasts.

6           Consequently, the Staff consultant's conclusions about historic O&M expenditure  
7           levels do not conflict in any way with my proposed adjustment of APS' forecast  
8           future variable O&M expenses at the PWEC and Sundance facilities. Indeed, the  
9           ACC Staff consultant review, cited by Mr. Ewen, does not appear to have  
10          addressed the O&M expenditures at the Sundance facility at all.<sup>4</sup>

11   **Q.    Does this complete your surrebuttal testimony at this time?**

12   A.    Yes.

13

14

15

16

17

18

19

20

21

---

<sup>3</sup> Direct Testimony of David A. Schlissel, at page 4, line 11, through page 6, line 10.

<sup>4</sup> August 31, Liberty Consultant Group *Final Audit Report APS Fuel and Purchased Power Procurement and Costs Non-Confidential Version*, at page 92.