

**ORIGINAL**



**BEFORE THE ARIZONA CORPORATION  
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320

**COMMISSIONERS**  
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2007 JUN 28 P 3:57

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
UNS ELECTRIC, INC. FOR APPROVAL OF  
THE ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES  
DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE  
OF THE PROPERTIES OF UNS ELECTRIC,  
INC.

DOCKET NO. E-04204A-06-0783

**STAFF'S NOTICE OF FILING DIRECT  
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of  
Ralph C. Smith (Redacted Version)(Consultant - Larkin & Associates, Inc.); David C. Parcell  
(Consultant - Technical Associates, Inc.); Alexander Ibhade Igwe (Utilities Division); Steve Taylor  
(Utilities Division); Julie McNeely-Kirwan (Utilities Division); and Bing E. Young (Utilities  
Division) in the above-referenced matter. An Unredacted version of Ralph C. Smith's Direct  
Testimony has also been provided under seal to the Commissioners, their Assistants, the assigned  
Administrative Law Judge and the parties that have signed the Protective Agreement in this case.

RESPECTFULLY SUBMITTED this 28<sup>th</sup> day of June 2007.

Arizona Corporation Commission  
**DOCKETED**

JUN 28 2007

DOCKETED BY

Maureen A. Scott, Senior Staff Counsel  
Kevin O. Torrey, Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

Original and thirteen (13) copies  
of the foregoing were filed this  
28<sup>th</sup> day of June 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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**DIRECT**

**TESTIMONY**

**OF**

**RALPH C. SMITH**

**DAVID C. PARCELL**

**ALEXANDER IBHADE IGWE**

**STEVE TAYLOR**

**JULIE MCNEELY-KIRWAN**

**BING E. YOUNG**

**DOCKET NO. E-04204A-06-0783**

**IN THE MATTER OF THE APPLICATION OF  
UNS ELECTRIC, INC. FOR THE ESTABLISHMENT  
OF JUST AND REASONABLE RATES AND  
CHARGES DESIGNED TO REALIZE A  
REASONABLE RATE OF RETURN ON THE FAIR  
VALUE OF THE PROPERTIES OF UNS ELECTRIC,  
INC. DEVOTED TO ITS OPERATIONS  
THROUGHOUT THE STATE OF ARIZONA AND  
REQUEST FOR APPROVAL OF RELATED  
FINANCING**

**JUNE 28, 2007**

UNs Electric, Inc.  
 Edison Electric Institute Dues  
 Test Year Ended June 30, 2006

Docket No. E-04204A-06-0783  
 Schedule C-12  
 Page 1 of 2

Line No.	Description	Test Year Amount (A)	Company Adjustment (B)	Company Adjusted Amount (C)	Staff Adjustment (D)	Staff Adjusted (E)
1	Regular Dues	\$ 10,000	\$ (2,000)	\$ 8,000	\$ (2,993) a	\$ 5,007
2	2005 UARG	\$ 24,071	\$ -	\$ 24,071	\$ (2,675) b	\$ -
3	2006 UARG	\$ 2,802	\$ -	\$ 2,802	\$ (2,802)	\$ -
4	Total Test Year EEI Dues	\$ 36,873	\$ (2,000)	\$ 34,873	\$ (8,470)	\$ 5,007
5	Journal Entry to Correct 2005 UARG per G/L	\$ (21,396)	\$ -	\$ (21,396)	\$ -	\$ -
6	Adjusted Test Year EEI Dues	\$ 15,477	\$ (2,000)	\$ 13,477	\$ (8,470)	\$ 5,007

Notes and Source

Col. A: Amounts taken from the Company's response to STF 3.72

a: Staff adjustment for Regular Dues based on a disallowance percentage of 49.93% (see page 2)

	Staff Adjustment
Regular Dues	\$ 10,000
Regular Dues disallowance percentage	49.93%
Staff adjustment to Regular Dues	\$ 4,993
Less: Company adjustment	\$ (2,000)
Remaining Staff adjustment to Regular Dues	\$ 2,993

b: Allocation of TEP's portion of 2005 UARG in the amount of \$24,071 booked in error. Corrected by Journal Entry 910.

TEP allocation of 2005 UARG	\$ 24,071
Correcting JE910	\$ (21,396)
UNs Electric allocation of 2005 UARG	\$ 2,675

Col D: Per letter from Edison Electric Institute included in Company's workpapers for its EEI adjustment, 100% of environmental related separately funded activities are classified as "non-deductible" expenses

**Edison Electric Institute**  
**Schedule of Expenses by NARUC Category**  
**For Core Dues Activities**  
**For the Year Ended December 31, 2005**

Docket No. E-04204A-06-0783  
 Schedule C-12  
 Page 2 of 2

<u>NARUC Operating Expense Category</u>	<u>% of Dues</u>	<u>Recommended Disallowance</u>
Legislative Advocacy	20.38%	20.38%
Legislative Policy Research	6.02%	
Regulatory Advocacy	16.49%	16.49%
Regulatory Policy Research	13.99%	
Advertising	1.67%	1.67%
Marketing	3.68%	3.68%
Utility Operations and Engineering	11.31%	
Finance, Legal, Planning and Customer Service	18.75%	
Public Relations	7.71%	7.71%
Total Expenses	<u>100.00%</u>	<u>49.93%</u>

**Comments:**

- \* The above percentages represent expenses associated with EEF's core dues activities, based on the operating expense categories established by NARUC. Core expenses are those expenses paid for by shareholder-owned electric utilities' dues.
- \* The legislative advocacy percent will differ slightly for IRS reporting requirements. For 2005, the lobbying % for IRS reporting is 19.4%.
- \* Administrative expenses are included in the percentages listed above. Approximately 11% of EEF's core dues expenses are administrative.