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IN THE MATTER OF THE APPLICATION OF  
PDM ENERGY, L.L.C. FOR A CERTIFICATE  
OF CONVENIENCE AND NECESSITY TO  
PROVIDE COMPETITIVE RETAIL ELECTRIC  
SERVICES AS AN ELECTRIC SERVICE  
PROVIDER PURSUANT TO A.A.C. R14-2-  
1601 *ET SEQ.*

Docket No. E-03869A-00-0268

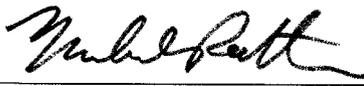
**NOTICE OF FILING TESTIMONY**

PDM Energy, L.L.C. hereby gives notice of filing the direct testimony of David L. Ogonowski, a copy of which is attached.

March 2, 2001.

Respectfully submitted,

**PDM ENERGY, L.L.C.**

By   
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

WILLIAM A. MUNDELL  
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JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF  
PDM ENERGY, L.L.C. FOR A CERTIFICATE  
OF CONVENIENCE AND NECESSITY TO  
PROVIDE COMPETITIVE RETAIL ELECTRIC  
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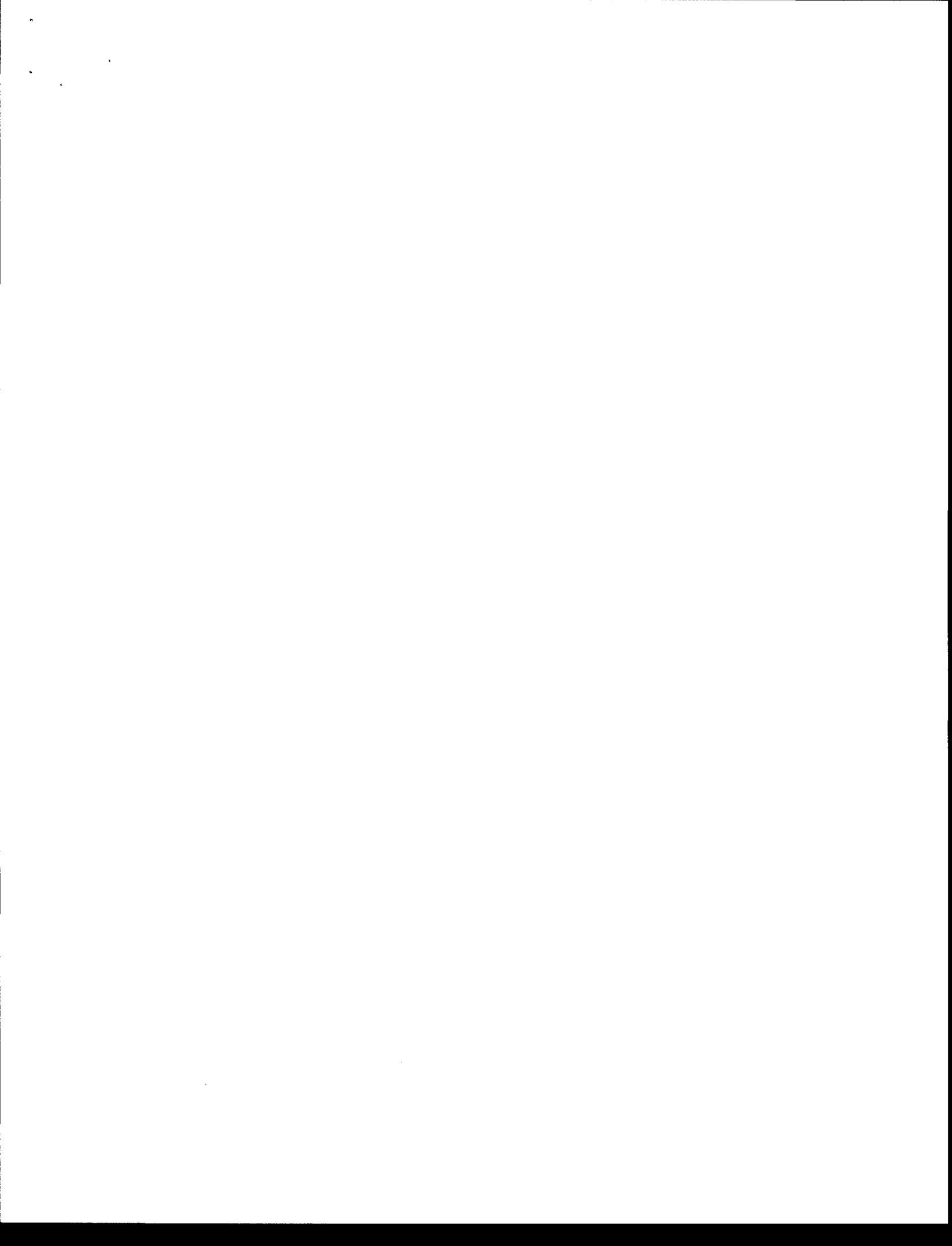
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**DIRECT TESTIMONY OF  
DAVID L. OGWONOWSKI**

***ON BEHALF OF PDM ENERGY, L.L.C.***

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March 2, 2001



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2  
**DIRECT TESTIMONY OF  
DAVID L. OGWONOWSKI**

3  
**INTRODUCTION**

4 **Q: PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS FOR**  
5 **THE RECORD.**

6 **A:** My name is David L. Ogonowski. I am the Manager of PDM Energy, L.L.C.  
7 ("PDM"). My business address as Manager of PDM is PDM Energy, L.L.C.,  
8 2600 North Central Avenue, Phoenix, Arizona 85004.

9 **Q: PLEASE DESCRIBE YOUR EDUCATIONAL AND WORK EXPERIENCE.**

10 **A:** I graduated from the University of New Haven in 1972 with B.S. in Electrical  
11 Engineering, and from the University of Colorado at Boulder in 1978 with a M.S.  
12 in Electrical Engineering. Also, I am a registered Professional Engineer in  
13 Colorado and New Mexico. In addition to my position as Manager of PDM, I am  
14 currently a Senior Project Manager for Phelps Dodge. In this capacity I am  
15 responsible for managing the Engineering, Procurement and Construction of large  
16 capital projects. Prior to coming to Phelps Dodge in December of 1994, I worked  
17 as; the Engineering Manager of Texas New Mexico Power Company (September  
18 1989 to November 1994) in Silver City, New Mexico, Team Leader of Special  
19 Projects for SCECO East (July 1985 to July 1989) in Dammam, Saudi Arabia,  
20 various Operations Engineering positions at AEPCO (August 1984 to May 1985) ,  
21 and Power Engineer, Electrical Engineer/Technical Supervisor, and Corporate  
22 Energy Engineer for CF&I Steel Corporation (June 1974 to August 1984) in  
23 Pueblo, Colorado and Assistant Electrical Engineer at United Illuminating  
24 Company (June 1972 to June 1974).

1 **Q: WHAT ARE YOUR RESPONSIBILITIES WITH PDM ENERGY?**

2 **A:** As Manager, I am responsible for the overall operations of PDM, including hiring  
3 and interacting with contractors that will assist in specific aspects of PDM's  
4 activities.

5 **SUMMARY OF APPLICATION**

6 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
7 **PROCEEDING?**

8 **A:** I will provide information about PDM, PDM's relationship with its parent  
9 Morenci Water & Electric and PDM's technical and financial capability to provide  
10 the energy services identified in PDM's Certificate of Convenience and Necessity  
11 ("CC&N") application and discussed herein. I will also discuss PDM's proposed  
12 tariff submitted with the application in this docket.

13 **Q: ARE YOU ALSO THE WITNESS SPONSORING PDM'S APPLICATION**  
14 **FOR AN ENERGY SERVICE PROVIDER ("ESP") CC&N?**

15 **A:** Yes, as well as the supplements to that application.

16 **Q: WHAT IS PDM ENERGY, L.L.C.?**

17 **A:** PDM Energy is a recently formed entity that will operate as an ESP in Arizona  
18 initially. PDM is an Arizona limited liability company.

19 **Q: PLEASE DESCRIBE THE OWNERSHIP OF PDM.**

20 **A:** PDM is wholly owned by its sole member, Morenci Water & Electric ("MWE").  
21 MWE is wholly owned by Phelps Dodge Corporation.

22 **Q: HOW WILL PDM BENEFIT FROM ITS RELATIONSHIP WITH ITS**  
23 **ULTIMATE PARENT PHELPS DODGE?**

24 **A:** PDM will be able to draw upon the extensive expertise of Phelps Dodge in the  
25 acquisition of energy for large industrial customers. Phelps Dodge personnel have  
26 significant experience in wholesale power acquisition, scheduling and delivery and

1 will contract with PDM to provide such services. Phelps Dodge also will provide  
2 financial support to PDM.

3 **Q: PLEASE DESCRIBE PDM'S FINANCIAL RESOURCES FOR PROVIDING ENERGY SERVICES IN ARIZONA.**

4  
5 **A:** PDM is capitalized by Phelps Dodge. Our CC&N Application includes a copy of  
6 Phelps Dodge Corporation's most recent annual report. Phelps Dodge also has  
7 provided a letter of financial support for PDM.

8 **Q: WHAT AUTHORITY IS PDM SEEKING IN ITS CC&N APPLICATION?**

9 **A:** PDM is seeking authority to provide competitive retail electric supply services to  
10 commercial and industrial customers throughout Arizona. PDM seeks this  
11 authority under A.R.S. §§ 40-281 and 40-282, as well as the Retail Electric  
12 Competition Rules (A.A.C. R14-2-1601 *et seq.*).

13 **Q: WHAT GEOGRAPHICAL AREA IS PDM SEEKING APPROVAL TO SERVE?**

14 **A:** PDM plans to offer retail energy services throughout most of Arizona. It seeks  
15 authorization to offer services in the service territories of all Affected Utilities,  
16 except for Morenci Water & Electric and Ajo Improvement Company, another  
17 wholly-owned Phelps Dodge subsidiary.

18 **Q: IS PDM SEEKING AUTHORITY TO PROVIDE METER SERVICES OR  
19 METER READING SERVICES?**

20 **A:** No. PDM is not seeking approval to provide meter and meter reading services in  
21 its application. These services will be provided by contracting with a utility  
22 distribution company ("UDC") or an ESP who has been granted a CC&N to  
23 provide these services in Arizona.

24 **Q: ARE YOU AWARE THAT THE COMMISSION STAFF RECOMMENDED  
25 THAT THE COMMISSION APPROVE PDM'S CC&N SUBJECT TO  
26 SEVERAL CONDITIONS?**

1 **A:** Yes. The Commission staff's report sets forth numerous recommended  
2 conditions. PDM agrees to abide by and meet those conditions.

3 **Q: PLEASE DISCUSS THE STAFF REPORT'S RECOMMENDED**  
4 **CONDITIONS.**

5 **A:** In a report dated December 28, 2000, Commission Staff recommended that the  
6 Commission grant the Company's application for a CC&N subject to certain  
7 conditions. Specifically:

- 8 a. The Staff Report recommends that, before it provides service,  
9 PDM must either be its own scheduling coordinator or have a  
10 service acquisition agreement with a Scheduling Coordinator.  
11 PDM will meet this condition prior to providing service.
- 12 b. The Staff Report recommends that, before it provides service in a  
13 particular UDC service area, PDM must have an approved service  
14 acquisition agreement with the UDC. PDM will meet this  
15 condition prior to providing service.
- 16 c. The Staff Report recommends that PDM provide evidence  
17 indicating that the UDC has found it creditworthy prior to  
18 providing service. PDM intends to meet this condition.
- 19 d. The Staff Report recommends that PDM's tariffs be approved on  
20 an interim basis. PDM understands that this recommendation is  
21 the result of recent court decisions regarding the requirement to  
22 determine fair value prior to setting permanent rates. PDM  
23 understands that its tariff will be an interim tariff assuming the  
24 court decisions are upheld on appeal.
- 25 e. The Staff Report recommends that PDM shall not provide  
26 competitive services until the Commission approves a code of

1           conduct for Morenci Water & Electric. PDM will comply with  
2           this recommendation.

3           f. The Staff Report recommends that PDM agrees to apply for  
4           Commission approval before it provides any other competitive  
5           service not applied for at this time. PDM agrees to make that  
6           commitment.

7           g. The Staff Report recommends that PDM acquire all necessary  
8           licenses prior to providing service. PDM will comply with that  
9           recommendation.

10          h. The Staff Report recommends that PDM not be authorized to  
11          provide its services in the certificated area of an Affected Utility  
12          until the Commission has reached a final resolution in that  
13          Affected Utility's respective stranded cost filing. PDM agrees to  
14          that recommendation.

15          i. The Staff Report recommends that, prior to providing any  
16          specialized billing and collection services in areas regulated by  
17          the Commission, PDM should file a tariff setting forth a  
18          maximum price for the provision of those services. PDM agrees  
19          to make that commitment.

20          j. The Staff Report recommends that PDM not provide service in  
21          the areas of Morenci Water & Electric and Ajo Improvement  
22          Company. PDM agrees to that recommendation.

23          k. The Staff Report recommends that PDM clarify the extent of the  
24          financial commitment by Phelps Dodge. PDM agrees that it will  
25          provide necessary clarification of that commitment.



1 **Q: WILL PDM PROVIDE BILLING SERVICES?**

2 **A:** Yes. PDM will provide billing services to its customers, although it may choose  
3 to outsource these services. The cost of standard billing will be included in the  
4 power supply tariff rate.

5 **Q: WILL PDM PROVIDE METERING AND METER READING SERVICES?**

6 **A:** PDM will arrange meter and meter reading services for its customers. However,  
7 PDM is not seeking to be approved as a meter service provider or a meter reading  
8 service provider. These services will be outsourced to others who are approved  
9 providers of those services. PDM understands that it must be authorized as a  
10 reseller of those services as set forth in the Staff Report.

11 **TARIFFS FOR REQUESTED SERVICES**

12 **Q: HAS PDM SUBMITTED A TARIFF TO PROVIDE THE REQUESTED**  
13 **SERVICES?**

14 **A:** Yes. PDM's application includes the Competitive Electricity Tariff ACC No. 1  
15 Non-Residential Tariff for providing competitive retail electric supply for large  
16 industrial customers.

17 **Q: IS THE MAXIMUM PRICE THAT PDM SPECIFIED IN ITS TARIFF**  
18 **APPROPRIATE FOR INDUSTRIAL CUSTOMERS?**

19 **A:** The maximum price specified in the tariff of \$25 per kWh does not reflect an  
20 hourly energy price that customers would normally incur, nor does it reflect an  
21 expected monthly average price per kWh. Typically, hourly energy prices would  
22 be substantially below this level. The tariff's maximum price was intentionally set  
23 at a high level to accommodate the potential high variation in hourly market  
24 energy prices based on recent historical experience. The maximum price is  
25 consistent with the tariffs proposed by others potential ESPs in their CC&N  
26 applications submitted to this Commission.

1 **Q: HAS PDM SUBMITTED A TARIFF FOR BILLING AND COLLECTION**  
2 **SERVICES?**

3 **A:** No. The maximum price, terms and conditions for standard billing and collection  
4 were included in the Non-Residential tariff. I understand that such a tariff has  
5 been required in other dockets. If such a tariff is deemed necessary for PDM, we  
6 will submit one for approval prior to offering service.

7 **Q: HAS PDM SUBMITTED A TARIFF TO SERVE RESIDENTIAL**  
8 **CUSTOMERS?**

9 **A:** No. PDM will serve only large industrial customers.

10 **Q: IN CONCLUSION, DO YOU BELIEVE THAT IT WOULD BE IN THE**  
11 **PUBLIC INTEREST FOR THE COMMISSION TO APPROVE PDM'S**  
12 **REQUEST FOR A CC&N TO BECOME AN ESP IN ARIZONA?**

13 **A:** Yes. PDM has the capability and experience to serve customers in Arizona as an  
14 ESP and it would be in the public interest for the Commission to approve PDM's  
15 application for a CC&N.

16 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A:** Yes, it does.