



0000036043

RECEIVED

2002 MAY 29 A 11: 32

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

WILLIAM A. MUNDELL DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

CHAIRMAN

JIM IRVIN

MAY 29 2002

COMMISSIONER

MARC SPITZER

DOCKETED BY

COMMISSIONER

IN THE MATTER OF THE GENERIC)
PROCEEDING CONCERNING ELECTRIC)
RESTRUCTURING ISSUES)

DOCKET NO. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC)
SERVICE COMPANY'S REQUEST FOR)
VARIANCE OF CERTAIN REQUIREMENTS)
OF A.A.C. R14-2-1606)

DOCKET NO. E-01345A-01-0822

IN THE MATTER OF THE GENERIC)
PROCEEDING CONCERNING THE ARIZONA)
INDEPENDENT SCHEDULING)
ADMINISTRATOR)

DOCKET NO. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC)
POWER COMPANY'S APPLICATION FOR A)
VARIANCE OF CERTAIN ELECTRIC)
COMPETITION RULES COMPLIANCE)
DATES)

DOCKET NO. E-01933A-02-0069

IN THE MATTER OF THE APPLICATION OF)
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS STRANDED COST)
RECOVERY)

DOCKET NO. E-01933A-98-0471

NOTICE OF FILING DIRECT TESTIMONY OF

CURTIS L. KEBLER

ON BEHALF OF RELIANT RESOURCES, INC.

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

Reliant Resources, Inc., by and through its attorneys, hereby files the
Direct Testimony of Curtis L. Kebler, Director of Asset Commercialization, West
Region.

RESPECTFULLY submitted this 29th day of May, 2002.

MARTINEZ & CURTIS, P.C.

By 
Michael A. Curtis
William P. Sullivan
Paul R. Michaud
2712 North Seventh Street
Phoenix, Arizona 85006-1090
Attorneys for Reliant Resources, Inc.

1 **Original and eighteen (18) copies of the foregoing document filed with service list**
2 **this 29th day of May, 2002, with:**

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

7 Copies of the foregoing hand-delivered without a copy of the service list
8 this 29th day of May, 2002, to:

9 William A. Mundell, Chairman
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

Ernest Johnson, Director
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

13 Jim Irvin, Commissioner
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

Lyn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

17 Marc Spitzer, Commissioner
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

21 Hercules Dellas
22 Aide to Chairman Mundell
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007

Jerry Smith
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

26 Kevin Barley
Aide to Commissioner Irvin
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Brian O'Neil, Executive Secretary
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Paul Walker
Aide to Commissioner Spitzer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea, Asst. Director
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Copies of the foregoing mailed without copy of service list this 29th day of May, 2002, to:

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

JANA VAN NESS
AZ PUBLIC SERVICE CO
MAIL STATION 9905
P O BOX 53999
PHOENIX AZ 85072-3999
Jana.vanness@aps.com

LINDY FUNKHOUSER
SCOTT S WAKEFIELD
RUCCO
2828 N CENTRAL AVE
SUITE 1200
PHOENIX AZ 85004

VICKI G SANDLER
C/O LINDA SPELL
APS ENERGY SERVICES
P O BOX 53901 MAIL STATION 8103
PHOENIX AZ 85072-3901
Linda_spell@apses.com

TOM WRAN
SOUTHWESTERN POWER GROUP II
Twran@southwesternpower.com

WALTER W MEEK PRESIDENT
AZ UTIL INVESTORS ASSOC
2100 N CENTRAL SUITE 210
PHOENIX AZ 85004

RICK GILLIAM
ERIC C GUIDRY
LAND & WATER FUND OF THE ROCKIES
2260 BASELINE RD SUITE 200
BOULDER CO 80302

TERRY FROTHUN
ARIZONA STATE AFL-CIO
5818 N 7TH ST SUITE 200
PHOENIX AZ 85014-5811

NORMAN J FURUTA
DEPT OF THE NAVY
900 COMMODORE DR
BLDG 107
SAN BRUNO CA 94066-5006

BARBARA S BUSH
COALITION FOR RESPONSIBLE ENERGY
EDUCATION
315 W RIVIERA DRIVE
TEMPE ARIZONA 85252

COLUMBUS ELECTRIC COOPERATIVE
INC
P O BOX 631
DEMING NM 88031

RICK LAVIS
AZ COTN GRWRS ASSOC
4139 E BROADWAY ROAD
PHOENIX AZ 85040

STEVE BRITTLE
DONT WASTE ARIZONA INC
6205 S 12TH STREET
PHOENIX AZ 85040

GARKANE POWER ASSOC INC
P O BOX 790
RICHFIELD UTAH 84701

CONTINENTAL DIVIDE
ELECTRIC COOPERATIVE
P O BOX 1087
GRANTS NM 87020

DIXIE ESCALANTE RURAL
ELEC ASSOC
CR BOX 95
BERYL UTAH 84714

TUCSON ELECTRIC POWER CO
LEGAL DEPT - DB203
220 W 6TH STREET
P O BOX 711
TUCSON AZ 85702-0711

AZ DEPT OF COMMERCE
ENERGY OFFICE
3800 N CENTRAL 12TH FL
PHOENIX ARIZONA 85012

AZ COMMUNITY ACTION ASSOC
2627 N 3RD ST SUITE 2
PHOENIX AZ 85004

JOE EICHELBERGER
MAGMA COPPER COMPANY
PO BOX 37
SUPERIOR AZ 85273

A B BAARDSON
NORDIC POWER
6463 N DESERT BREEZE CT
TUCSON AZ 85750-0846

JESSICA YOULE
PAB300
SALT RIVER PROJECT
P O BOX 52025
PHOENIX AZ 85072-2025

STEVE MONTGOMERY
JOHNSON CONTROLS
2032 W 4TH STREET
TEMPE AZ 85281

CRAIG MARKS
CITIZENS UTIL COMPANY
2901 N CENTRAL SUITE 1660
PHOENIX AZ 85012-2736

BARRY HUDDLESTON
DESTEC ENERGY
PO BOX 4411
HOUSTON TX 77210-4411

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

LARRY MCGRAW
USDA-RUS
6266 WEEPING WILLOW
RIO RANCHO NM 87124

TERRY ROSS
CENTER FOR ENERGY &
ECONOMIC DEVELOPMENT
PO BOX 288
FRANKTOWN CO 80116-0288

CLARA PETERSON
AARP
HC 31 BOX 977
HAPPY JACK AZ 86024

JOHN JAY LIST GENERAL COUNSEL
NATL RURAL UTIL COOP FIN CORP
2201 COOPERATIVE WAY
HERNDON VA 21071

JIM DRISCOLL
AZ CITIZENS ACTION
5160 E BELLEVUE ST
APT 101
TUCSON AZ 85712-4828

C WEBB CROCKETT
FENNEMORE CRAIG PC
3003 N CENTRAL SUITE 2600
PHOENIX AZ 85012-2913

ROBERT S LYNCH
340 E PALM LN SUITE 140
PHOENIX AZ 85004-4529

ROBERT JULIAN
PPG
1500 MERRELL LANE
BELGRADE MT 59714

CARL ROBERT ARON
EXEC VP & COO
ITRON INC
2818 N SULLIVAN ROAD
SPOKANE WA 99216

DOUGLAS NELSON
DOUGLAS C NELSON PC
7000 N 16TH ST SUITE 120-307
PHOENIX AZ 85020-5547

K R SALINE
K R SALINE & ASSOCIATES
CONSULTING ENGINEERS
160 N PASADENA SUITE 101
MESA AZ 85201-6764

ALBERT STERMAN
AZ CONSUMERS COUNCIL
2849 E 8TH STREET
TUCSON AZ 85716

MICHAEL GRANT
GALLAGHER & KENNEDY
2575 E CAMELBACK ROAD
PHOENIX ARIZONA 85016-9225
Mmg@pknet.com

LAWRENCE V ROBERTSON JR
MUNGER CHADWICK PLC
333 N WILMOT SUITE 300
TUCSON AZ 85711-2634
Lvrobertson@mungerchadwick.com

MICHAEL PATTEN
ROSHKA HEYMAN & DEWULF
400 E VAN BUREN SUITE 800
PHOENIX ARIZONA 85004
mpatten@rhd-law.com

VINNIE HUNT
CITY OF TUCSON
DEPARTMENT OF OPERATIONS
4004 S PARK AVE BLDG #2
TUCSON ARIZONA 85714

SUZANNE DALLIMORE
ANTITRUST UNIT CHIEF
AZ ATTY GENERALS OFC
1275 W WASHINGTON
PHOENIX AZ 85007

ELIZABETH S FIRKINS
INTL BROTHERHOOD OF ELECTRIC WORKS
LU #1116
750 S TUCSON BLVD
TUCSON ARIZONA 85716-5698

CARL LABELSTEIN
CITIZENS COMMUNICATIONS
2901 N CENTRAL AVE SUITE 1660
PHOENIX ARIZONA 85012

RODERICK G MCDUGAL
CITY ATTY
CITY OF PHOENIX
ATTN JESSE SEARS
200 W WASHINGTON
STE 1300
PHOENIX AZ 85003-1611

WILLIAM J MURPHY
CITY OF PHOENIX
200 W WASHINGTON SUITE 1400
PHOENIX ARIZONA 85003-1611
Bill.Murphy@phoenix.gov

RUSSELL E JONES
WATERFALL ECONOMIDIS CALDWELL
HANSHAW & VILLAMANA PC
5210 E WILLIAMS CIR SUITE 800
TUCSON ARIZONA 85711
Rjones@wechv.com

CHRISTOPHER HITCHCOCK
HITCHCOCK & HICKS
PO BOX 87
BISBEE ARIZONA 85603-0087
Lawyers@bisbeelaw.com

TIMOTHY M HOGAN
AZ CENTER FOR LAW IN THE PUBLIC
INTEREST
202 E MCDOWELL RD SUITE 153
PHOENIX ARIZONA 85004

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

BARBARA R GOLDBERG
OFFICE OF THE CITY ATTORNEY
3939 CIVIC CENTER BLVD
SCOTTSDALE ARIZONA 85251

MICHELLE AHLMER
AZ RETAILERS ASSOCIATION
224 W 2ND ST
MESA ARIZONA 85201-6504

TIMOTHY MICHAEL TOY
WINTHROP STIMSON PUTNAM & ROBERTS
ONE BATTERY PARK PLAZA
NEW YORK NY 10004-1490

MARCIA WEEKS
18970 N 116TH LANE
SURPRISE ARIZONA 85374

JOHN T TRAVERS
WILLIAM H NAU
272 MARKET SQUARE
SUITE 2724
LAKE FOREST IL 60045

STEPHEN L TEICHLER
STEPHANIE A CONAGHAN
DUANE MORRIS & HECKSCHER LLP
1667 K STREET NW STE 700
WASHINGTON DC 20006

STEPHANIE A CONAGHAN
DUANE MORRIS & HECKSCHER LLP
1667 K STREET NW SUITE 700
WASHINGTON DC 20006-1608

RAYMOND S HEYMAN
MICHAEL W PATTEN
ROSHKA HEYMAN & DEWULF
PLC
400 E VAN BUREN STE 800
PHOENIX ARIZONA 85004
rheyman@rhd-law.com

STEVEN C GROSS
PORTER SIMON
40200 TRUCKEE AIRPORT ROAD
TRUCKEE CA 96161-3307

BILLIE DEAN
AVIDD
PO BOX 97
MARANA AZ 85652-0987

RAYMOND B WUSLICH
WINSTON & STRAWN
1400 L STREET NW
WASHINGTON DC 20005

THERESA DRAKE
IDAHO POWER COMPANY
PO BOX 70
BOISE IDAHO 83707

DONALD R ALLEN
JOHN P COYLE
DUNCAN & ALLEN
1575 EYE STREET NW SUITE 300
WASHINGTON DC 20005

WARD CAMP
PHASER ADVANCED METERING
SVCS
400 GOLD SW SUITE 1200
ALBUQUERQUE NM 87102

JAMES P BARLETT
5333 N 7TH STREET
SUITE B-215
PHOENIX ARIZONA 85014

LIBBY BRYDOLF
CALIFORNIA ENERGY MARKETS
NEWSLETTER
2419 BANCROFT STREET
SAN DIEGO CALIFORNIA 92104

PAUL W TAYLOR
R W BECK
2201 E CAMELBACK RD
SUITE 115-B
PHOENIX AZ 85016-3433

KATHY T PUCKETT
SHELL OIL COMPANY
200 N DAIRY ASHFORD
HOUSTON TEXAS 77079

JAY I MOYES
MOYES STOREY
3003 N CENTRAL AVE
SUITE 1250
PHOENIX ARIZONA 85012
Jimoves@lawms.com

ANDREW BETTWY
DEBRA JACOBSON
SOUTHWEST GAS CORP
5241 SPRING MOUNTAIN ROAD
LAS VEGAS NEVADA 89150-0001

PETER GLASER
SHOOK HARDY & BACON LLP
600 14TH STREET NW SUITE 800
WASHINGTON DC 20006-2004

ANDREW N CHAU
SHELL ENERGY SERVICES CO LLC
1221 LAMAR SUITE 1000
HOUSTON TEXAS 77010

PETER Q NYCE JR
DEPT OF THE ARMY
JALS-RS SUITE 713
901N STUART STREET
ARLINGTON VA 22203-1837

SANFORD J ASMAN
570 VININGTON COURT
DUNWOODY GA 30350-5710

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

DAN NEIDLINGER
NEIDLINGER & ASSOCIATES
3020 N 17TH DRIVE
PHOENIX ARIZONA 85015

CHUCK GARCIA
PNM LAW DEPARTMENT
ALVARADO SQ MS 0806
ALBUQUERQUE NM 87158

HOLLY E CHASTAIN
SCHLUMBERGER RESOURCE MGMT
SERVICES INC
5430 METRIC PLACE
NORCROSS GA 30092-2550

PATRICIA COOPER
AEP/CO/SSWEP/CO
POST OFFICE BOX 670
BENSON ARIZONA 85602
Pcooper@aepnet.org

ALAN WATTS
SOUTHERN CALIFORNIA
PUBLIC POWER AGENCY
529 HILDA COURT
ANAHEIM CA 92806

FREDERICK M BLOOM
COMMONWEALTH ENERGY CORP
15991 RED HILL AVE SUITE 201
TUSTIN CA 92780

LESLIE LAWNER
ENRON CORP
712 N LEA
ROSWELL NM 88201

KEVIN MCSPADEN
MILBANK TWEED HANDLEY
AND MCCLOY LLP
601 S FIGUEROA 30TH FL
LOS ANGELES CA 90017

BRIAN SOTH
FIRSTPOINT SERVICES, INC.
1001 SW 5TH AVE SUITE 500
PORTLAND OREGON 97204

MARGARET MCCONNELL
MARICOPA COMMUNITY COLLEGES
2411 W 14TH STREET
TEMPE AZ 85281-6942

ROGER K FERLAND
QUARLES & BRADY STREICH
LANG LLP
RENAISSANCE ONE
TWO N CENTRAL AVENUE
PHOENIX AZ 85004-2391
rferland@quarles.com

M C ARENDES JR
C3 COMMUNICATIONS INC
2600 VIA FORTUNA SUITE 500
AUSTIN TEXAS 78746

IAN CALKINS
PHOENIX CHAMBER OF COMMERCE
201 N CENTRAL AVE 27TH FL
PHOENIX ARIZONA 85073

CHARLES T STEVENS
ARIZONANS FOR ELECTRIC
CHOICE & COMPETITION
245 W ROOSEVELT
PHOENIX ARIZONA 85003

STEVEN J DUFFY
RIDGE & ISAACSON PC
3101 N CENTRAL AVE SUITE 740
PHOENIX ARIZONA 85012

PATRICK J SANDERSON
AZ INDEPENDENT SCHEDULING
ADMINISTRATOR ASSOC
PO BOX 6277
PHOENIX ARIZONA 85005-6277
Psanderson@az-isa.org

JEFFREY GULDNER
THOMAS L MUMAW
SNELL & WILMER
ONE ARIZONA CENTER
PHOENIX AZ 85004-0001
Tmumaw@swlaw.com

STEVEN LAVIGNE
DUKE ENERGY
4 TRIAD CENTER SUITE 1000
SALT LAKE CITY UTAH 84180

MARK SIROIS
ARIZONA COMMUNITY ACTION
ASSOCIATION
2627 N THIRD STREET SUITE 2
PHOENIX ARIZONA 85004

JOHN WALLACE
GRAND CANYON STATE
ELECTRIC CO-OP
120 N 44TH ST STE 100
PHOENIX AZ 85034-1822
Jwallace@gcseca.org

MICHAEL L KURTZ
BORHM KURTZ & LOWRY
36 E SEVENTH ST STE 2110
CINCINNATI OHIO 45202
Mkurtzlaw@aol.com

GREG PATTERSON
5432 E AVALON
PHOENIX ARIZONA 85018
Gpattersoncpa@aol.com

KEVIN C HIGGINS
ENERGY STRATEGIES LLC
30 MARKET ST STE 200
SALT LAKE CITY UT 84101

ROBERT BALTES
ARIZONA COGENERATION ASSOCIATION
7250 N 16TH STREET SUITE 102
PHOENIX ARIZONA 85020-5270
Rbaltes@bvaeng.com

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

DENNIS L DELANEY
K R SALINE & ASSOCIATES
160 N PASADENA SUITE 101
MESA ARIZONA 85201-6764

WILLIAM P INMAN
DEPT OF REVENUE
1600 W MONROE ROOM 911
PHOENIX ARIZONA 85007
linmanW@revenue.state.az.us

KELLY BARR
JANA BRANDT
SRP
MAIL STATION PAB211 PO BOX 52025
PHOENIX AZ 85072-2025
Kjbarr@srpnet.com Jkbrandt@srpnet.com

DAVID BERRY
PO BOX 1064
SCOTTSDALE AZ 85252

DAVID COUTURE
TEP
4350 E IRVINGTON ROAD
TUCSON ARIZONA 85714

RANDALL H WARNER
JONES SKELTON & HOCHULI PLC
2901 N CENTRAL AVE SUITE 800
PHOENIX ARIZONA 85012

THERESA MEAD
AES NEWENERGY
P O BOX 65447
TUCSON ARIZONA 85728
Theresa.mead@aes.com

AARON THOMAS
AES NEWENERGY
350 S GRAND AVENUE SUITE 2950
LOS ANGELES CA 90071
Aaron.Thomas@aes.com

MARY-ELLEN KANE
ACAA
2627 NORTH 3RD STREET SUITE TWO
PHOENIX ARIZONA 85004
Mkane@azcaa.org

AZ REPORTING SERVICE INC
2627 N THIRD ST SUITE THREE
PHOENIX ARIZONA 85004-1104

PETER W FROST
CONOCO GAS & POWER
MARKETING
600 N DAIRY ASHFORD
CH-1068
HOUSTON TEXAS 77079

JOAN WALKER-RATLIFF
CONOCO GAS & POWER MARKETING
1000 S PINE 125-4 ST UPO
PONCY CITY OK 74602

THEODORE ROBERTS
SEMPRA ENERGY RESOURCES
101 ASH STREET HQ 12-B
SAN DIEGO CALIFORNIA 92101-3017
Troberts@sempra.com

RYLE J CARL III
INTERNATL BROTHERHOOD OF
ELEC WORKERS LC #1116
750 S TUCSON BLVD
TUCSON AZ 85716-5698

JAY KAPROSY
PHOENIX CHAMBER OF COMMERCE
201 N CENTRAL AVE 27TH FL
PHOENIX ARIZONA 85073

LORI GLOVER
STIRLING ENERGY SYSTEMS
2920 E CAMELBACK RD
SUITE 150
PHOENIX ARIZONA 85016
Lglover@stirlingenergy.com

JEFF SCHLEGEL
SWEEP
1167 SAMALAYUCA DRIVE
TUCSON AZ 85704-3224
Schlegelj@aol.com

HOWARD GELLER
SWEEP
2260 BASELINE RD SUITE 200
BOULDER COLORADO 80302
Hgeller@swenergy.org

PETER VAN HAREN
CITY OF PHOENIX
ATTN JESSE W SEARS
200 W WASHINGTON SUITE 1300
PHOENIX ARIZONA 85003-1611
Jesse.sears@phoenix.gov

ROBERT ANNAN
AZ CLEAN ENERGY INDUSTRIES
ALLIANCE
6605 E EVENING GLOW DRIVE
SCOTTSDALE ARIZONA 85262
Aman@primenet.com

CURTIS L KEBLER
RELIANT RESOURCES INC
8996 ETIWANDA AVE
RANCHO CUCAMONGA
CA 91739

PHILIP KEY
RENEWABLE ENERGY LEADERSHIP
GROUP
10631 E AUTUMN SAGE DRIVE
SCOTTSDALE ARIZONA 85259
Keytaic@aol.com

PAUL BULLIS
OFFICE OF THE ATTORNEY
GENERAL
1275 W WASHINGTON STREET
PHOENIX ARIZONA 85007
Paul.bullis@ag.state.az.us

LAURIE WOODALL
OFC OF THE ATTY GEN
15 S 15TH AVENUE
PHOENIX ARIZONA 85007
Laurie.woodall@ag.state.az.us

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

DONNA M BRONSKI
CITY OF SCOTTSDALE
3939 N DRINKWATER BLVD
SCOTTSDALE ARIZONA 85251
Dbronski@ci.scottsdale.az.us

LARRY F EISENSTAT
FREDERICK D OCHSENHIRT
DICKSTEIN SHAPIRO ET AL
2101 L STREET NW
WASHINGTON DC 20037
Eisenstat@dsmo.com
Ochsenhirt@dsmo.com

DAVID A CRABTREE
DIERDRE A BROWN
TECO POWER SVCS CORP
P O BOX 111
TAMPA FLORIDA 33602
Dacrabtree@tecoenergy.com
Dabrown@tecoenergy.com

MICHAEL A TRENTEL
PATRICK W BURNETT
PANDA ENERGY INTERNATIONAL
4100 SPRING VALLEY SUITE 1010
DALLAS TEXAS 75244
Michaelt@pandaenergy.com
Patb@pandaenergy.com

WILLIAM BAKER
ELECTRICAL DISTRICT NO 6
7310 N 16TH STREET SUITE 320
PHOENIX ARIZONA 85020

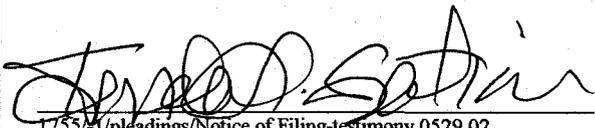
JESSE DILLON
PPL SERVICES CORP
2 NORTH NINTH STREET
ALLEN TOWN PA 18101-1179
jadillon@pplweb.com

JOHN A LASOTA JR
MILLER LASOTA & PETERS PLC
5225 N CENTRAL AVE SUITE 235
PHOENIX ARIZONA 85012

BRADFORD A BORMAN
PACIFICORP
201 S MAIN SUITE 2000
SALT LAKE CITY UTAH 84140

SAM DEFRAW (ATTN CODE OOI)
RATE INTERVENTION DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
BUILDING 212 4TH FLOOR 901 M STREET SE
WASHINGTON DC 20374-5018

JOAN WALKER-RATLIFF
MANAGER REGULATORY AFFAIRS
CONOCO GAS AND POWER
1000 SOUTH PINE
P O BOX 1267 125-4 ST
PONCA CITY OK 74602
Joan.walker-ratliff@conoco.com


Terrence D. Sotirin
1755-1/pleadings/Notice of Filing-testimony.0529.02

BEFORE THE ARIZONA CORPORATION COMMISSION

**WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER**

**IN THE MATTER OF THE ARIZONA) DOCKET NO. E-01345A-01-0822
PUBLIC SERVICE COMPANY'S)
REQUEST FOR VARIANCE OF)
OF CERTAIN REQUIREMENTS)
OF A.A.C. R14-2-1606.)
_____)**

DIRECT TESTIMONY

OF

CURTIS L. KEBLER

ON BEHALF OF

RELIANT ENERGY RESOURCES, INC.

DOCKET NO. E-01345A-01-0822

MAY 29, 2002

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

**DIRECT TESTIMONY OF
CURTIS L. KEBLER
DOCKET NO. E-00000A-02-0051**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Curtis L. Kebler. My business address is 8996 Etiwanda Avenue, Rancho Cucamonga, California 91739. I am Director, Asset Commercialization West Region for Reliant Resources, Inc. ("Reliant").

Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS AND EXPERIENCE.

A. A summary of my professional qualifications and experience is included in the Statement of Qualifications attached as Appendix A to my testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. In a Procedural Order dated May 2, 2002, the Administrative Law Judge directed parties to address the following issues as part of Track A: (i) transfer of assets and associated market power issues; (ii) jurisdictional issues; and (iii) Code of Conduct and the Affiliated Interest Rules. The purpose of my testimony is to address the issues identified in Track A, describe the relationship between these issues and Track B issues, and propose a framework for resolving these issues and implementing the competitive procurement objectives of Rule 1606(B).

1 **Q. PLEASE ELABORATE ON YOUR UNDERSTANDING OF THE**
2 **TRACK A ISSUES.**

3 A. The Arizona Electricity Competition Rules require the transfer of APS'
4 generation assets. Through its Settlement Agreement, APS has agreed to
5 transfer its generation assets to its affiliate company, Pinnacle West Energy
6 Corporation, by December 31, 2002. The objective of the asset transfer is to
7 enable a market structure that allows generation services to be provided
8 competitively rather than through cost-based regulation. The Commission has
9 correctly recognized that the transfer of such assets raises important issues
10 relating to market power, jurisdictional oversight, and affiliate transactions.

11

12 **Q. WHAT ARE THE SPECIFIC MARKET POWER ISSUES RAISED BY**
13 **THE TRANSFER OF GENERATION ASSETS?**

14 A. The transfer of APS' generation assets to Pinnacle West Energy Corporation
15 results in the concentration of available generation capacity within a single
16 entity. In addition, existing transmission constraints limit the amount of
17 external generation that can be imported into the Phoenix load center area.
18 Absent structural remedies, these circumstances do not provide the conditions
19 necessary for multiple suppliers to compete effectively in the provision of
20 generation services on behalf of Standard Offer customers.

21

22

23

1 **Q. HOW CAN THE GENERATION MARKET POWER CREATED BY**
2 **THE ASSET TRANSFER BE ADDRESSED TO ENSURE A**
3 **COMPETITIVE PROCUREMENT PROCESS?**

4 A. One approach for mitigating the market power associated with the asset transfer
5 is to conduct a capacity auction in which wholesale market participants are able
6 to acquire a specified portion of the output of the transferred capacity. The asset
7 itself is not sold in this type of auction, only an entitlement to a portion of the
8 output. Once the entitlement to a portion of the existing generation capacity has
9 been diversified among multiple market participants, these participants can then
10 compete in the process envisioned under Rule 1606(B) to provide generation
11 services to APS and its Standard Offer customers. Such a capacity auction
12 mechanism has been utilized successfully in Texas' restructured electricity
13 market.

14
15 **Q. ARE THERE OTHER ISSUES THAT HAVE BEEN IDENTIFIED AS**
16 **BEING PART OF TRACK A?**

17 A. Yes. Code of Conduct and Affiliated Interest Rules are also being addressed in
18 Track A. These issues arise in connection with the asset transfer because it is
19 contemplated that APS will engage in arms-length bilateral negotiations with
20 Pinnacle West Capital Corporation for a significant portion of the generation
21 needs of Standard Offer customers.

22

23

1 **Q. IS THERE A RELATIONSHIP BETWEEN THE TRACK A ISSUES**
2 **DESCRIBED ABOVE AND THE ISSUES UNDER CONSIDERATION IN**
3 **TRACK B?**

4 A. Yes. The Track B issues involve implementation of the competitive
5 procurement provisions of Rule 1606(B). Several parties have observed that
6 Track A and Track B issues are necessarily inter-related. Reliant agrees with
7 those observations and believes the most effective process for addressing the
8 issues in both Track A and B is to utilize a competitive procurement model
9 implementing 1606(B) as a framework.

10

11 **Q. DOES RELIANT HAVE A PROPOSED COMPETITIVE POWER**
12 **PROCUREMENT MODEL THAT COULD SERVE AS A**
13 **FRAMEWORK?**

14 A. Yes. Reliant proposes a competitive procurement model whereby the electric
15 generation assets of APS are transferred as envisioned in the Competition Rules.
16 As mentioned above, a portion of the output of the capacity represented by the
17 transferred assets would be auctioned to eligible wholesale market participants
18 for terms of varying lengths, and with the requirement that those entitlements be
19 offered back in the 1606(B) process. The utilities would obtain the generation
20 resources necessary to meet at least 50% of their Standard Offer load
21 requirements through a competitive bid process and obtain the remaining
22 portion of their load requirements through arms-length, bilateral contracts.

23

1 **Q. PLEASE DESCRIBE FURTHER THE PROPOSED COMPETITIVE**
2 **PROCUREMENT MODEL.**

3 A. To encourage competition, mitigate market power, and increase market
4 liquidity, Reliant believes approximately one-third of the output of the
5 generation capacity being transferred to Pinnacle West Energy Corporation
6 from APS should be auctioned to wholesale market participants. Pinnacle
7 West's capacity auction would include a variety of capacity products (i.e.,
8 baseload, intermediate, cyclic, and peaking assets) and the resulting capacity
9 contracts would vary in length (monthly, annual, and bi-annual). The capacity
10 contracts would have additional characteristics, such as system transmission
11 entitlement and must offer requirements. A successful bidder in the capacity
12 auction would receive an entitlement in the form of a call option on a specified
13 amount of capacity. All qualified bidders could participate in the capacity
14 auction with the exception of Pinnacle West. The successful bidders in the
15 capacity auction must offer the purchased capacity entitlements into the
16 1606(B) competitive power procurement process.

17

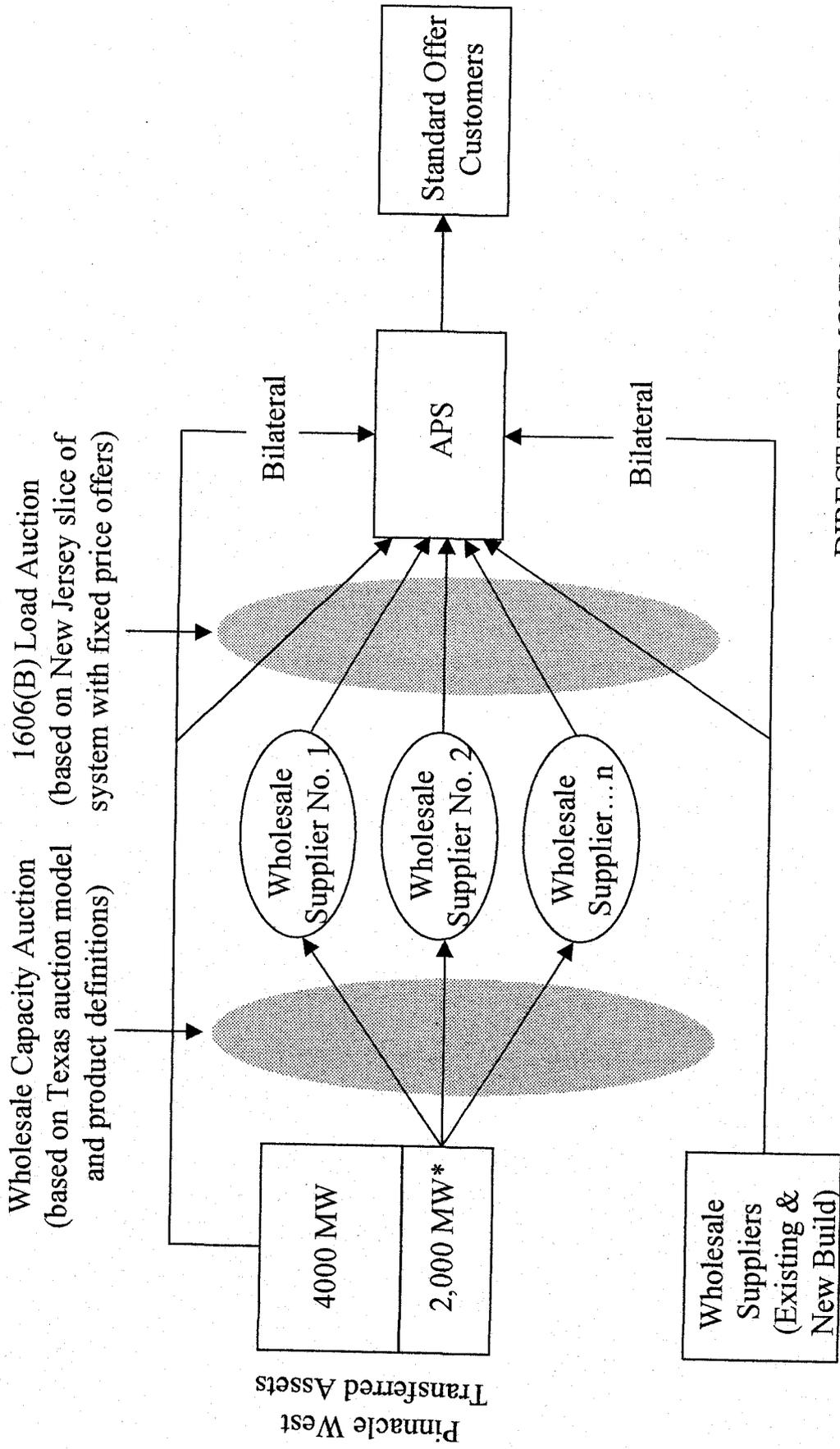
1

2 **Q. HOW DOES THE CAPACITY AUCTION INTERACT WITH THE**
3 **STANDARD OFFER PROCURMENT PROCESS UNDER RELIANT'S**
4 **PROPOSED MODEL?**

5 A. Under Rule 1606(B), APS is required to acquire at least 50% of its Standard
6 Offer power requirements (approximately 3000 MW) through a competitive bid
7 process ("RFP"). Reliant envisions the RFPs being structured as "slice of
8 system" auctions. Bidders would be competing on the basis of price to provide
9 a specific percentage of APS' daily load requirement. Under this auction
10 procedure, APS would be purchasing a fixed priced product. I have described
11 this process more thoroughly in my March 29, 2002, Direct Testimony in
12 Docket No. E-01345A-01-0822. All qualified market participants, including
13 Pinnacle West and the successful capacity auction bidders, would be eligible to
14 participate in the Rule 1606(B) procurement auctions. Pursuant to the Rule, the
15 remaining portion of APS' Standard Offer requirements would be met through
16 arm's length bilateral transactions. Exhibit A provides a graphical
17 representation of the proposed competitive procurement model.

Exhibit A

**Arizona Competitive Procurement Model
(Illustrative)**



*Includes associated transmission capacity.

1

2 **Q. IN ADDITION TO MITIGATING MARKET POWER, ARE THERE**
3 **OTHER BENEFITS OF THE COMPETITIVE PROCURMENT MODEL**
4 **YOU HAVE OUTLINED?**

5 A. Yes. The capacity auction described above enables multiple parties to
6 participate in the Rule 1606(B) auction thereby creating greater wholesale
7 competition. Reliant believes it is particularly important that multiple suppliers
8 have the opportunity to compete within the constrained areas during the period
9 until construction of new generation is completed and transmission constraints
10 are alleviated. The Commission can rely on the results of the capacity auction
11 (a market-determined price) as a guide in determining the reasonableness of any
12 bilateral contracts between APS and other parties, including Pinnacle West.
13 The two auctions – capacity auction and load auction – are therefore
14 complementary in terms of encouraging a robust competitive wholesale market.

15

16 **Q. HAVE THERE BEEN DIFFERING VIEWS EXPRESSED ON ASSET**
17 **TRANSFER?**

18 A. Yes. Some parties, including the Commission Staff and the utilities have
19 expressed concerns about the asset transfer. The underlying presumption
20 appears to be that the asset transfer process should be viewed as an all or
21 nothing event. In fact, however, there maybe appropriate policy reasons for
22 going forward with the asset transfer, but with something less than 100% of

1
2 capacity initially. Reliant believes the competitive power procurement
3 objectives of Rule 1606(B) can be realized without transferring 100% of the
4 assets all at once. The framework outlined above accommodates the transfer of
5 assets in whole or in part over time.
6

7 **Q. WHAT TIMELINE DOES RELIANT PROPOSE TO IMPLEMENT THE**
8 **CAPACITY AUCTION, LOAD AUCTION, AND BILATERAL**
9 **CONTRACTS?**

10 A. Reliant believes that the capacity auction rules can be in place and products
11 ready for auction by the end of 2002. The Rule 1606(B) auction could then
12 occur in the first quarter of 2003, with initial delivery beginning in July 2003.
13 Delivery of the capacity auction products should begin at the same time as
14 delivery of the load auction products. Hence, winning bidders in the capacity
15 auction could call on their products beginning in July 2003. Bilateral contract
16 negotiations can begin immediately. Delivery of bilaterally negotiated products
17 can begin as soon as January 1, 2003.
18

19 The competitive solicitation that occurs pursuant to Rule 1606(B) should
20 provide for staggered delivery dates and varying contract term lengths. The
21 initial solicitation should provide for delivery beginning in July 2003, and have
22 contract terms extending no longer than three years. The companion

1
2 solicitations should establish an initial delivery date of July 2005 and 2006, and
3 should provide for varying contract lengths in the range of 2-4 years, 5-7 years,
4 and 10-15 years. The utilization of multiple delivery dates will allow bids to
5 include additional proposed generation as it becomes available. It also initiates
6 the on-going process of competitive power procurement. Requiring contracts of
7 varying term lengths also facilitates this on-going process. Reliant's
8 recommended process places PWCC/PWEC on a level playing field and
9 provides a truly competitive environment.

10
11 Reliant believes implementing the capacity auction and the 1606(B)
12 procurement process (load auction/bilateral contracts) with the proposed
13 staggered contract delivery dates is required if market participants are expected
14 to develop new generation and transmission. Implementation now will
15 encourage greater competition among suppliers and ultimately lead to lower
16 relative prices for power supplies in Arizona. The Commission must guard
17 against illusory competitive power procurement processes that allow the
18 existing generation to become entrenched and effectively exclude competition
19 by entering into long-term contracts before competitive power can be made
20 available. The Commission must ensure that the solicitation structure and
21 bilateral contract guidelines encourage and facilitate the development of a
22 robust competitive wholesale power market.

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

Q. HOW SHOULD THE TRANSMISSION RIGHTS CURRENTLY ASSOCIATED WITH APS' POWER PLANTS BE TREATED?

A. In order to obtain transmission rights under its Open Access Transmission Tariff (Tariff), APS must designate Network Resources on behalf of its native load customers in the same manner as any other customer taking Network Transmission Service (NTS) under the Tariff. In the specific instance of the APS solicitation, if some of APS' currently designated Network Resources are not chosen in the solicitation, then APS would no longer designate those resources as network resources and would instead designate the resources that are selected through the solicitation as Network Resources.

APS designates Network Resources "*on behalf of its native load customers.*" Thus the transmission rights associated with APS' current generating assets are available to whoever is responsible for serving the load. If APS is no longer using a particular generating asset as a Network Resource to serve its load, it should designate that transfer capability for use by a new network resource. Network transmission rights should not remain with generating assets not selected in the 1606(B) competitive procurement process. Those generating assets not selected in the competitive procurement process must obtain transmission rights as necessary and available to deliver their power to new customers' load. APS' existing transmission rights should be used to serve its

1

2 load requirements from whichever new or existing generating resources are
3 successful in the competitive procurement process.

4

5 **Q. WHAT JURISDICTIONAL ISSUES ARISE AS A RESULT OF THE**
6 **TRANSFER OF ASSETS?**

7 A. Once the transfer of assets occurs, it is envisioned that Pinnacle West will seek
8 FERC authority to implement market-based rates. This transfer of jurisdictional
9 authority raises concerns regarding the ACC's ability to directly ensure that
10 rates for generation services will be just and reasonable.

11

12 **Q. DOES THE COMMISSION'S RELINQUISHMENT OF ITS**
13 **JURISDICTION OVER APS' GENERATION ASSETS TO FERC NEED**
14 **TO BE SPECIFICALLY ADDRESSED IN THIS DOCKET?**

15 A. As long as the APS generating assets remain state jurisdictional, retail
16 customers will continue to bear the investment, operating and fuel price risks
17 associated with those assets. The Commission will have the ability to establish
18 any conditions it deems necessary as part of the asset transfer procedure and
19 will have ongoing authority over the competitive power procurement process.
20 In addition, FERC jurisdiction includes authority for market monitoring,
21 enforcement, and provisions for refunds to ensure that wholesale prices are just
22 and reasonable.

DIRECT TESTIMONY OF CURTIS L. KEBLER
DOCKET NO. E-00000A-02-0051
PAGE 13

1

2 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

3 **A. Yes.**

4

5

1

2

STATEMENT OF QUALIFICATIONS

3

APPENDIX A

4

5 Curtis Kebler is Director, Asset Commercialization West Region for Reliant
6 Resources, an international energy services company based in Houston, Texas. Reliant
7 has nearly 18,000 megawatts of power generation capacity in operation, under
8 construction or under contract in the U.S., and is one of only five companies to rank
9 among both the ten largest power marketers and the ten largest natural gas marketers
10 in North America.

11

12 Mr. Kebler is responsible for representing Reliant's commercial interests on a broad
13 range of technical and policy issues before various regulatory, legislative, and industry
14 organizations in the Western U.S. He coordinates and implements the company's
15 policies relating to restructured western region electricity markets and Regional
16 Transmission Organizations, and oversees the performance of research and analysis
17 and the development of studies and reports on western energy markets.

18

19 Mr. Kebler has more than 15 years experience in the energy industry and has broad
20 knowledge of the structure, operation and performance of California's natural gas and
21 electric power markets. From 1985 to 1997, Mr. Kebler worked for Southern
22 California Edison Company in a variety of positions and was actively involved in the
23 restructuring of California's natural gas industry and following that the restructuring of

DIRECT TESTIMONY OF CURTIS L. KEBLER

DOCKET NO. E-00000A-02-0051

PAGE 15

1

2 the state's electricity industry. From 1997 to 1999, Mr. Kebler worked for the
3 California Power Exchange and was actively involved in all aspects of the start-up and
4 initial operation of that corporation.

5

6 Mr. Kebler has a Bachelor of Science degree in nuclear engineering from the
7 University of California. He is a member of the Board of Directors of the Independent
8 Energy Producers Association and the Western Power Trading Forum and serves as
9 Reliant's representative on numerous industry associations and committees.

10

11