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July 28, 2003

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Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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RE: ARIZONA PUBLIC SERVICE COMPANY'S DIRECT TESTIMONY OF CARY DEISE RESTRUCTURING
DOCKET NO. E-00000A-02-0051, ET AL.

To Whom It May Concern:

Pursuant to the Procedural Order dated June 18, 2003, Docket No. E-00000A-02-0051, et al., Arizona Public Service Company is hereby filing the Direct Testimony of Cary Deise.

If you or your staff have any questions, please feel free to call me.

Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

Attachment

JVN/vid

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DIRECT TESTIMONY OF CARY DEISE

On Behalf of Arizona Public Service Company
Docket No. E-00000A-02-0051, et al. (AISA Hearing)

July 28, 2003

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Direct Testimony of Cary Deise
Arizona Public Service Company
Docket No. E-00000A-02-0051, et al. (AISA Hearing)

I. **INTRODUCTION AND WITNESS QUALIFICATIONS**

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Cary Deise. My business address is 502 South Second Avenue, Phoenix, Arizona 85003. I am Director of Transmission Operations and Planning for Arizona Public Service Company (“APS” or “Company”).

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS, PROFESSIONAL BACKGROUND, AND YOUR RESPONSIBILITIES AT APS.

A. I have a Bachelor’s Degree in Engineering from California State University– Long Beach, and I am a registered Professional Engineer in the state of Arizona. I have over 32 years of experience in transmission planning and operations, and I have worked for APS in numerous different positions relating to transmission and system planning and operations continuously for the last 30 years. I am Chair of the WestConnect Interim Committee, a WestConnect representative on the Seams Steering Group-Western Interconnection (“SSG-WI”), and I serve on the Western Electricity Coordinating Council’s Reliability Compliance Committee, Planning Coordination Committee and Operation Transfer Capacity Policy Group.

In my current capacity as Director of Transmission Planning and Operations, I am responsible for 10-year and general transmission system planning for APS, as well as the overall operation of APS’ transmission system. Among other

1 activities, I oversee all technical study work on APS' transmission system, all
2 scheduling over that system, the operation of APS' Open Access Same-Time
3 Information System ("OASIS"), merchant generator APS interconnections, and
4 the preparation of the Company's Ten-Year Transmission Plans.

5
6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

7 A. In her June 18, 2003 Procedural Order, the assigned Administrative Law Judge
8 requested that parties file testimony to address the Arizona Corporation
9 Commission ("Commission") Utilities Division Staff's May 30, 2003 Staff
10 Report ("Staff Report") and other issues of interest to such parties associated
11 with the continuation of the Arizona Independent Scheduling Administrator
12 ("AISA"). My direct testimony sets forth APS' position on the AISA and the
13 Staff Report in this proceeding.

14
15 **II. SUMMARY OF TESTIMONY**

16 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

17 A. APS has complied with its obligation under the 1999 APS Settlement
18 Agreement to actively support the AISA. APS has incorporated the AISA
19 protocols to support direct access into its Federal Energy Regulatory
20 Commission ("FERC") approved Open Access Transmission Tariff ("OATT").
21 Thus, in large part, at least one key goal of the AISA already has been
22 accomplished. A second goal, informal dispute resolution between transmission-
23 owning incumbent utilities and competitive retail electric service providers, has
24 proven as of yet unnecessary. Other goals underlying the formation of the AISA
25
26

1 will be met when a Regional Transmission Organization ("RTO") is
2 implemented.

3 APS does not oppose Staff's recommendation in the Staff Report. The
4 Commission has directed Staff to review the Retail Electric Competition Rules
5 in a rulemaking proceeding, which could include a review of the role of the
6 AISA. Under that Staff Recommendation, a downsized AISA would continue
7 while the review is undertaken.
8

9 **III. APS' POSITION REGARDING THE AISA**

10
11 **Q. WHAT IS APS' POSITION REGARDING THE AISA?**

12 **A.** APS has supported and continues to support the AISA, and has complied with
13 its obligations under the 1999 Settlement Agreement approved in Decision No.
14 61973 (October 6, 1999). APS has provided the bulk of the AISA's initial
15 funding, is the largest ongoing contributor of funding to the AISA in Arizona,
16 and has worked extensively with the AISA to develop Direct Access Protocols.
17 APS has also incorporated these Protocols into its FERC-approved OATT.

18 The AISA was always anticipated to be a transitional body that would ultimately
19 be superceded by an RTO. Today, the important functions of the AISA,
20 including the adoption of Direct Access Protocols I mentioned earlier, have been
21 accomplished and are currently in force. In the near future, I believe that an
22 RTO or similar entity will be formed in Arizona and other Western states as
23 expressly anticipated in A.A.C. R14-2-1609(C). At that point, the functions of
24 the AISA would be transitioned to the RTO, as provided in A.A.C. R14-2-
25 1609(E).
26

1 Additionally, APS and other electric utilities are already phasing in certain
2 functions anticipated for an RTO. For example, APS and other electric utilities
3 in the Western United States recently agreed to implement a common OASIS to
4 streamline nondiscriminatory access to transmission, establish a robust
5 secondary market for transmission, and provide a common energy bulletin board
6 to facilitate bilateral transactions, ancillary services, and congestion
7 management.

8
9 **III. APS' POSITION REGARDING THE STAFF REPORT AND**
10 **RECOMMENDATION**

11 **Q. WHAT IS APS' POSITION REGARDING THE STAFF REPORT AND**
12 **STAFF'S RECOMMENDATION IN THAT REPORT?**

13 A. APS does not oppose Staff's recommendation in the Staff Report, which is to
14 combine consideration of the AISA with the forthcoming review of the Retail
15 Electric Competition Rules. Although a review of the AISA could take place
16 independently from a generic reconsideration of the Retail Electric Competition
17 Rules, APS acknowledges that there are certain synergies that would result from
18 reviewing both the Retail Electric Competition Rules and the AISA together
19 since Staff and the Commission intend to reconsider the rules in any event.

20 **Q. DOES APS OBJECT TO THE DOWNSIZED AISA REMAINING IN**
21 **PLACE WHILE THE REVIEW OF THE RULES IS CONDUCTED?**

22 A. The AISA has taken steps to materially reduce its ongoing costs of operation,
23 which are funded in significant part by APS. If the Commission decides to
24 consolidate the review of the AISA with the general review of the Retail Electric
25 Competition Rules, APS would not oppose Staff's recommendation that the
26 downsized AISA continue during that review.

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Q. DOES APS INTEND TO MAKE OTHER COMMENTS TO THE STAFF REPORT?

A. Given the very narrow scope of this proceeding—the status of the AISA—APS has not addressed other issues or statements in the Staff Report that do not directly relate to continuance of the AISA during this interim period, and I do not intend to cover those in my direct testimony. However, by not commenting on a specific statement or assertion in the Staff Report, I do not intend to indicate either the Company’s agreement or disagreement with such Staff statements, assertions, or conclusions.

Q. DOES THAT CONCLUDE YOUR WRITTEN DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

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