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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL  
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JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

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IN THE MATTER OF THE GENERIC PROCEEDINGS CONCERNING ELECTRIC RESTRUCTURING.
IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY'S REQUEST FOR VARIANCE OF CERTAIN REQUIREMENTS OF A.A.C. R14-2-1606
IN THE MATTER OF THE GENERIC PROCEEDINGS CONCERNING THE ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR.
IN THE MATTER OF TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR A VARIANCE OF CERTAIN ELECTRIC COMPETITION RULES COMPLIANCE DATES
IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF ITS STRANDED COST RECOVERY

DOCKET NO. E-00000-02-0051

DOCKET NO. E-01345-01-0822

DOCKET NO. E-00000A-01-0630

DOCKET NO. E-01933A-02-0069

**NOTICE OF FILING SUMMARY OF DIRECT TESTIMONY OF  
THOMAS BRODERICK  
ON BEHALF OF HARQUAHALA GENERATING COMPANY, LLC**

Harquahala Generating Company, LLC, by and through its attorneys, hereby files the attached Summary of Direct Testimony of Thomas Broderick, Director, External Relations, West Region, PG&E National Energy Group, pertaining to the issues in "Track B" for the above-captioned proceeding.

1 RESPECTFULLY SUBMITTED this 25<sup>th</sup> day of November, 2002.

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10 **ORIGINAL** and **21 COPIES** filed November 25, 2002, with:

11 Docket Control  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
14 Phoenix, AZ 85007

15 **COPIES** hand-delivered without a copy of the Service List November 25, 2002, to:

16 Chairman William Mundell  
17 ARIZONA CORPORATION COMMISSION  
18 1200 West Washington Street  
19 Phoenix, AZ 85007

20 Commissioner Jim Irvin  
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E-1345A-01-0822; E-00000A-01-0630;  
E-01933A-02-0069; and E-01933A-98-0471

By *Sarah Menne*

## SUMMARY OF DIRECT TESTIMONY OF THOMAS BRODERICK

November 12, 2002

1. APS understated its current unmet needs in APS Schedule PME-1. In its calculations, APS omitted several APS customers, incorrectly assigned Pinnacle West supply contracts to APS, vastly overstated the economic level of output of its exiting units, and overstated its RMR requirements.
2. I have re-calculated APS' current unmet needs in Exhibit TB-2 as:

	<u>MW</u>	<u>MWh</u>
2003	2,997	5,639,000
2004	3,286	6,694,000
2005	3,519	7,509,000
2006	3,762	8,602,000

To these figures I add approximately 1,946,000 MWh of potential economy interchange purchases that APS can obtain competitively at its discretion.

My re-calculations confirm the reasonableness of Staff's MW and MWh recommendations for APS contained in the 10-25-02 Staff report.

3. APS' proposal over relies on a product with a volatile price - economy interchange purchases. Thus, I recommend that APS issue an RFP in the March 2003 solicitation for the amounts in Exhibit TB-2.
4. In addition to incorporating the concept "economically" served as it applies to APS' existing assets, I also recommend the ACC Track B order embrace the use of economic criteria called "minimize the net present value of rate impacts" which is presently employed in the Colorado solicitation. If these concepts are embraced, the ACC will not have a need to "take over" the process, but rather APS will enjoy considerable business discretion.
5. My analysis herein exposes what APS has known for several years - the competition in the Track B process will be most fierce for its older and less efficient gas and oil units and between the merchants themselves, including Pinnacle West. In its own earlier plans, APS had created plans to virtually idle their fleet of older gas and oil units. Their actual purchases in 2001 and 2002 demonstrate they were well on their way to doing just that.
6. I recommend that APS file and the ACC approve a protocol for any future competitive procurement of economy energy. The criteria for such a protocol should insure that APS solicits offers from the competitive wholesale market and in a manner that does not allow for inappropriate affiliate transactions or favoritism of particular parties. Such a protocol will reduce the incentive for APS to propose purchases outside of the Track B process.