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Arizona Corporation Commission  
RE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF THE ARIZONA ELECTRIC DIVISION OF CITIZENS COMMUNICATIONS COMPANY TO CHANGE THE CURRENT PURCHASED POWER AND FUEL ADJUSTMENT CLAUSE RATE, TO ESTABLISH A NEW PURCHASED POWER AND FUEL ADJUSTMENT CLAUSE BANK, AND TO REQUEST APPROVED GUIDELINES FOR THE RECOVERY AND COSTS INCURRED IN CONNECTION WITH ENERGY RISK MANAGEMENT INITIATIVES.

Docket No. E-01032C-00-0751

MARSHALL MAGRUDER

SUPPLEMENTAL TESTIMONY OF  
MARSHALL MAGRUDER  
NOVEMBER 5, 2002  
WITH ERRATA  
NOVEMBER 8, 2002

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As a consumer, I pay one monthly bill to my electricity company. This electricity bill is the accumulation of many factors, including those submitted by the Arizona Electric Division (AED) of Citizens Communications Company (CCC), the "Applicants" in this docket, if granted. This testimony presents my concerns with respect to the proposed rates and actions in the Application, including Amendments with emphasis on service in Santa Cruz County.

This "Supplemental Testimony of Marshall Magruder with Errata" supersedes "Supplemental Testimony of Marshall Magruder" of November 5, 2002. Regretfully, this errata is necessary because of a printing error.<sup>1</sup>

Respectfully submitted this 8<sup>th</sup> day of November 2002.

MARSHALL MAGRUDER

By *Marshall Magruder*  
Marshall Magruder  
PO Box 1267  
Tubac, Arizona 85646

Exhibit A – Additional Background Information

Exhibit B – Electricity Price Indexes

Original and Copies are certified filed this date as shown on the Service List (last page)

<sup>1</sup> In the electronic version only, change bars in the left margin show where changes in the September 27, 2002 Testimony. Change bars in the right margin of this errata version show changes between the November 5<sup>th</sup>. This errata will result in a few minor "line" changes.

1  
2 **Supplemental Testimony of Marshall Magruder**

3  
4 **November 5, 2002 with Errata**

5  
6  
7 **1. Introduction.**

8  
9 Q. What is your name and address?

10 A. My name is Marshall Magruder. I am self-employed. My residence is in Tubac, Arizona.  
11 Please see Exhibit A for additional background information.

12  
13 Q. Did anyone provide you support or assist you in preparation of this Testimony?<sup>2</sup>

14 A. No. I prepared this Testimony and any other documents in this docket that I signed,  
15 without assistance, other than from Mrs. Magruder.

16  
17 Q. Have you been in contact with any Citizens in-house attorney during the course of this  
18 case?

19 A. No, except for procedural meetings held in conjunction with this case.<sup>3</sup>

20  
21 Q. Did you or will you receive any compensation for participation in this case?

22 A. No compensation or reimbursement has been received from any source nor will there be  
23 any in the future.<sup>4</sup>

24  
25 **2. Definitions of the key parties and contract phases.**

26  
27 Q. How are the terms "Citizens" and "APS" used in this testimony?

28 A. The term "Citizens" is used herein as a generic term for the Citizens Utility Company  
29 (CUC), later renamed as Citizens Communications Company (CCC), and its Arizona  
30 Electrical Division (AED), all implied under the term "Citizens." In addition, "APS" is used  
31 herein for the Arizona Public Service Company, now an entity of Pinnacle West Capital

<sup>2</sup> Response to Citizens Data Request No. 1.02.

<sup>3</sup> Response to Citizens Data Request No. 1.03.

<sup>4</sup> Please see Exhibit A for additional responses to Citizens Data Request 1.01.

1 Corporation (PWCC), with related entities, such as Pinnacle West Energy Company  
2 (PWEC). My use of the generic term "APS" includes all PWCC entities.  
3

4 Q. What do you consider to be the contract phases of this case?

5 A. There is a natural break between the time when Citizens was under different sets of  
6 agreements with APS before and after July 15, 2001. There are two phases and sets of  
7 actions. The Application, Revised Application and Amendments relate to these actions.  
8 For convenience, the pre-July 15, 2001 phase APS-Citizens is under the Old Agreement  
9 and the present one, of July 15, 2001, the New Agreement was retroactive to June 1,  
10 2001.  
11

12 3. Old Agreement Issues.  
13

14 Q. What went wrong during the Old Agreement between Citizens and APS?

15 A. Citizens and APS were unable to agree on some terms of the Old Agreement. This has  
16 already been documented by others including Citizens.  
17

18 Q. Did this disagreement impact the financial relationship?

19 A. From May 2000 through May 2001, Citizens received monthly bills from APS that  
20 Citizens considered excessive. These billings precipitated the initial Application to the  
21 Arizona Corporation Commission (ACC), or the Commission, in September 2000.  
22 Citizens started paying these APS bills, under protest, and annotated them as disputed  
23 charges.  
24

25 Q. Had APS monthly bills always been correct before this period?

26 A. No. Each month the Applicant reviewed the APS bills. Citizens questioned several  
27 discrepancies and errors, some minor and others significant, before the above disputed  
28 period between May 2000 and May 2001. Corrections were made by APS for billings  
29 prior to the above disputed payments. In fact, at the beginning of the period of disputed  
30 bills, APS was refunding a previous overcharge of about \$1.5 million.

31 Q. Were the APS billing practices during this disputed period consistent with prior billing  
32 practices?

1 A. No. Citizens considered that APS had changed the method of calculating the cost for  
2 purchased power. This is a core issue that should be resolved in these hearings. All  
3 payments by Citizens to APS during this time were annotated as "paid under protest."  
4

5 Q. Were the issues that resulted in what Citizens labeled "excessive charges" known to  
6 Citizens prior to this period?

7 A. Yes, in fact, the issues that led to the "Disputed Charges" had been under discussion for  
8 over a year by teams from both companies.  
9

10 Q. Did Citizens do anything to solve the Disputed Charges issue to correct the Old  
11 Agreements prior to the disputed payments before the summer of 2000?

12 A. Yes, Citizens initiated negotiations and had been negotiating with APS for months,  
13 apparently without success.  
14

15 Q. Did Citizens use the FERC dispute resolution procedures?

16 A. Citizens did not use any FERC dispute resolution processes or any outside agencies to  
17 assist in resolution.  
18

19 As indicated in the New Agreement, Article 10, Alternate Dispute Resolution, there are a  
20 number of ways that disputes could be resolved, including mediation, arbitration using  
21 the Federal Arbitration Act, prevailing Commercial Arbitration Rules and others.<sup>5</sup> If these  
22 one-on-one or FERC processes fail, the ACC is also available to help resolve issues  
23 since the laws of Arizona govern the Old Agreement. Going to FERC as an alternative  
24 was explored early but by May 2001, was, apparently, dropped from consideration. The  
25 Old Agreement, in Section 16 (Billing), states "Notice shall be given [by Citizens to APS]  
26 that the disputed amount is found to be incorrect, it shall be refunded, including  
27 Interest."<sup>6</sup> Citizens effectively gave such notice to APS.  
28

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<sup>5</sup> See PWCC-Citizens Agreement, in the Amended Application Exhibit 2, "Pinnacle West Capital Corporation Market-Based Tariff, Rate Schedule FERC No. 4" for the ADR process under the New Agreement. The Old APS-Citizens Contracts, "Power Service Agreement between Arizona Public Service Company and Citizens Utilities Company, APS Contract 48166," all of which were also docketed and simultaneously filed with FERC (see APS Contract 48166, ¶2.3, with related schedules in APS Contract 48167 for Wholesale Power, APS Contract 48168 for Supplemental Capacity, APS Contract 48169 for Peaking Energy).

<sup>6</sup> All Citizens billing payments for period May 2000 through February 2001 were annotated as "paid under protest" and referred to Article 16.4 of this contract.

1 Further, the governing APS Contract 48166, in Section 24 (Subsequent Service  
2 Schedule(s) Approval), permits FERC filings "to determine whether any Service Schedule  
3 is just and reasonable." This is the basic part of my argument in this case. No such FERC  
4 filing was made.<sup>7</sup>

5  
6 Q. Could Citizens have used other means to resolve this dispute over the "disputed  
7 payments" of the Old Agreement based on statutes that pertain to the ACC?<sup>8</sup>

8 A. The A.R.S. §40-203, §40-204, §40-221, §40-241 and §40-242 permit the ACC to request  
9 any records of any public service company in this State. A.R.S. §40-202 discusses the  
10 Corporation Commission's broad supervision and regulatory controls over public service  
11 corporations and §40-203 describes the Commission ratemaking authority.<sup>9</sup> A.R.S. §40-  
12 246,<sup>10</sup> to § 40-248 provide a process that could have been used to resolve such a  
13 complaint or dispute.

14  
15 Q. Do you feel that Citizens could have used this "complaint" process?

16 A. The complaint process seems to be available for all public service companies. Citizens is  
17 APS largest customer. All "customers" have the right to make a complaint. Either  
18 company could have initiated the process. Citizens should have brought the dispute to  
19 the ACC when the APS discussions became unproductive.  
20

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<sup>7</sup> Article 24.2 states "If upon the FERC filing, the FERC orders a hearing to determine whether any Service Schedule is just and reasonable, the Service Schedule shall not become effective until the date when an order no longer subject to judicial review has been issued by FERC determining the Service Schedule to be just and reasonable." This "FERC filing" is clearly not the "initial" filing discussed in Section 23. Article 24.3 indicated, "Citizens agrees to fully participate in any FERC hearing and/or court proceeding regarding any subsequent Service Schedule(s)." This responds to Citizens Data Request 1.04.

<sup>8</sup> This and the next three questions/answers respond to Citizens Data Request 1.05.

<sup>9</sup> A.R.S. sections in this paragraph are titled as

A.R.S. §40-202 – Supervising and Regulating Public Service Corporations... Competitive Electricity Market; Rules; Duty to Comply; Exemptions for Electric Generation; Unlawful Practice

A.R.S. §40-203 – Power to Commission to determine and prescribe rates; rules and practices of public service corporations.

A.R.S. §40-204 - Reports by public service corporations to commission; duty of corporation to deliver documents to commission; confidential nature of information furnished; exception; classification

A.R.S. §40-221 – Power of commission to prescribe record-keeping methods and accounts; ...

A.R.S. §40-241 – Power to Examine Records and Personnel of Private Service Corporations; ...

A.R.S. §40-242 – Production of Records

A.R.S. §40-246 – Complaint by Public Service Corporation Hearing

A.R.S. §40-247 – Hearing; process to witnesses; report of proceedings; decision; service of order

A.R.S. §40-248 – Reparation of overcharge; action to recover overcharge; limitations

<sup>10</sup> Corrected words were inadvertently deleted between A.R.S. §40-202 and §40-243 in the original Testimony. This correction clarifies Citizens Data Request 1.05.

1 Q. Could you expand on possible roles for the Commission in resolving this dispute?

2 A. A. Citizens is APS largest electricity customer. There seems to be at least two ways to  
3 solve the disputed APS electric bills. The Disputed Charges could be disputed and  
4 resolved under A.A.R. §R14-2-212 like any other utility customer or under A.A.R. Title 14  
5 Chapter 2 and §R14-2-1603, §R14-2-1614, and others.<sup>11</sup>  
6

7 Q. Are there other ways the Commission could have assisted with this dispute resolution?

8 A. The Commission has the power to conduct an investigation (formal or informal) and make  
9 a judgment (similar to mediation or arbitration). In today's business environment, utility  
10 companies do not want to provide information to competitors, even when not competing.  
11 However, a company's "confidential" information is protected by the A.R.S. §40-202 and  
12 §40-203. If the Commission conducted an investigation, as an independent third-party, it  
13 could use its "judgment" capability. The billing statements and details from APS to  
14 Citizens could have retained their proprietary nature under A.R.S §40-204  
15

16 The A.R.S. §40-202A (first sentence), §40-202B, and §40-203 indicate that the ACC has  
17 the authority to resolve disputes. ARS §40-202D requires "establishing of just and  
18 reasonable rates for electricity." Citizens, as a customer of APS, protested, disputed and  
19 paid "excessive" rate. The Commission could have to conducted an investigation and  
20 made a judgment had they been asked for assistance.  
21

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<sup>11</sup> These other statutes and administrative regulations are titled and briefly described as to potential applicability to solving the APS-Citizens disputed charges as follows:

A.R.S. § 30-809E – *Consumer Choice*, requires "before initiating a complaint with a public power entity or the commission, the parties to a dispute arising under subsections A through D of this section shall meet and in good faith attempt to resolve the dispute through an information dispute resolution process,; could apply but the above subsections appear not to be directly applicable to the APS/PWCC-Citizens disputes.

A.R.S. § 30-803H – *Competition in Retail Supply of Electricity; Open Markets*, requires the governing body of a public power entity to "provide a dispute resolution process including nonbinding third party arbitrators or mediators for customers ..."

A.A.R. Title 14 – *Public Service Corporations; Corporations and Associations; Security Regulation*

A.A.R. Title 14, Chapter 2 – *Corporation Commission Fixed Utilities*

A.A.R. § R14-2-212 (Administrative Hearing Requirements, an description of various rules for hearings.

A.A.R. § R14.2-212B – *Customer Bill Disputes*, seem applicable to the APS-Citizens utility-customer dispute.

A.A.R. § R14-2-212C – *Commission Resolution of Service and Bill Disputed*, also applicable to this dispute.

A.A.R. § R14-2-1614 – *Administrative Requirements*, in §R14-2-1614, the ACC may develop procedures for resolving disputes regarding implementation of retail electric competition. NB: in order to implement "retail" competition, some changes may be mandated to "wholesale" distributors in order to implement such competition. This footnote provides additional responses to Citizens Data Request 1.05.

1 Q. Are you providing a legal ruling that Citizens is involved in the wrong process with regard  
2 to the Disputed Charges?<sup>12</sup>

3 A. No. That was not my intention; however, it does seem plausible that Citizens could have  
4 used these ACC-complaint processes and procedures to resolve this dispute more  
5 expeditiously and at less cost than by this Application or litigation.  
6

7 Q. Which of these did Citizens do?

8 A. None. Responses during discovery indicate that Citizens did not consider using the ACC  
9 to resolve its dispute with APS at any time. Instead, Citizens filed the Application(s) to  
10 recover these disputed charges from its customers.  
11

12 Citizens did consider "filing a complaint with the FERC on the contract interpretation  
13 matter" which was "under consideration at the time as part of Citizens' legal analysis" as  
14 described by Mr. Breen's February 2002 Rebuttal, pages 15 to 16.  
15

16 Citizens also negotiated a New Agreement with a clearly written "dispute resolution"  
17 process. In the "Power Sale Agreement between Pinnacle West Capital Corporation and  
18 Citizens Communications Company. PWCC's Market Rate Tariff and Service  
19 Agreement," filed as Application Enclosure (2), with its Article 10 (Alternative Dispute  
20 Resolution) provides mediation and arbitration processes. These are required for "all  
21 disputes arising under or relating to the terms of this agreement."  
22

23 Q. If the disputed conditions in the Old Agreement had been resolved prior to May 2000,  
24 would there have been excessive purchase power charges?

25 A. No, it appears the areas impacting the disputed charges, in the Old Agreement, were  
26 known by both. These areas were not resolved prior to June 2000, when the California  
27 energy and natural gas prices surges were heading towards a critical situation.  
28

29 Q. When did Citizens realize the impact that the summer 2000 price surges would have on  
30 the unresolved areas in the Old Contract?

---

<sup>12</sup> This question and answer are in response to Citizens Data Request 1.06; see Appendix A for additional response.

1 A. There does not appear to be any indication that Citizens forecast or was aware of the  
2 summer of 2000 energy and natural gas crisis situation until about July of 2000 when the  
3 first APS bills arrived using a disputed calculation method.  
4

5 Q. Are there possible explanations why Citizens did not forecast<sup>13</sup> the summer of 2000  
6 energy crisis?

7 A. Yes, some or all of the following factors could apply:<sup>14</sup>

- 8 (1) Citizens management had no personnel to forecast energy market prices, in particular  
9 fuel costs;
- 10 (2) Citizens was apparently unable to correlate impacts of higher natural gas prices on  
11 purchased fuel costs for electricity as these two Citizens utilities, natural gas and  
12 electricity, were in different business units;
- 13 (3) Citizens' management might have been more interested in ignoring any difficulties  
14 because the Arizona units were for sale.
- 15 (4) Citizens upper management was, possibly, not focused on the immediate market; and/or  
16 (5) Citizens management was, apparently, not concerned or interested in the early natural  
17 gas price increases since purchased power costs are a "pass through" to the  
18 ratepayers. In other words, there is no profit incentive to control purchased power costs.  
19

20 Q. Which of these do you feel was the cause of the belated reactions by Citizens?

21 A. Primarily, (5) above. Why? Much of Citizens literature and news releases discussing this  
22 case stress that "Citizens makes no profit on pass through purchase power costs."  
23

24 Q. Who was responsible for solving any disputed terms of the Old Agreement?

25 A. Both APS and Citizens have an obligation to ensure they adhere to the terms of their  
26 contract. They had a dispute over the meaning of some of these terms. Neither APS nor

<sup>13</sup> Citizens Data Request 1.07 requested that I identify "any entity other than Citizens forecast" for the summer 2000 energy crisis. There is no evidence that Citizens forecast or anticipated this crisis. Some records indicate that during August 2000, some managers, such as Sean Breen, knew there was a problem. Apparently, Citizens does not maintain a business planning organization to continuously maintain forecasts and predictions that could/may/might impact the AED product lines. In further response to Citizens Data Request 1.07, by early July 2000, my files included news articles, in particular the situation in San Diego, natural gas refinery decreases, lack of natural gas drilling facilities, and other energy related issues that pointed to the beginning of a major energy crisis.

<sup>14</sup> Citizens Data Request 1.08 requested that the "source" of the information contained in (1) to (5) be provided. See my forecasting background in Exhibit A. The factors listed are tailored to this case, and are typical factors when management fails to properly forecast. I developed these factors based on my extensive experience in crisis management over the last 40 years. This responds to Citizens Data Request 1.08.

1 Citizens appears to have considered using the FERC dispute resolution process or the  
2 offices of the ACC to solve their disagreement. They were disagreeing a year before the  
3 "disputed charges" occurred. After the disputed billing occurred, they continued on a  
4 "discussion" track as the "disputed charges" continued to be billed to and paid by Citizens.

5  
6 Q. Were these actions and decisions correct during the Old Agreement disagreements?

7 A. The decision by management to let this disagreement continue unresolved for so long is  
8 imprudent (as discussed in section 5). These disagreements have not yet been resolved.

9  
10 Q. Are the ratepayers responsible for solving known problem areas of the Old Agreement?

11 A. No. Since these areas had negative consequences on Citizens ratepayers; it was  
12 Citizens' duty to resolve such a dispute prior to paying the billing changes. For APS, any  
13 negative consequences from such a dispute would impact their cost of doing business or  
14 profit margins and therefore not directly impact the APS ratepayers. This is a matter  
15 between both companies.

16  
17 Q. Should Citizens, the Applicant, be reimbursed for these disputed charges?

18 A. No, reimbursement by ratepayers for bad management decisions of a utility company is  
19 not proper, permitted, or legal.

20  
21 4. Repayment of the Disputed Charges under the Old Agreement.<sup>15</sup>

22  
23 Q. What is the amount of the Disputed Charges under the Old Agreement?

24 A. Without considering interest in the PPFAC Bank account balance, the principal claimed  
25 by the Applicant includes approximately \$55 to 60 million disputed charges. When a six  
26 (6) percent interest is included through November 2002, this is about \$119,427,777  
27 million.<sup>16</sup> Citizens' reporting has included both principal and interest since the first  
28 disputed payment;<sup>17</sup> thus, actual principal appears obscured by the monthly compounding  
29 process.

30  

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<sup>15</sup> Much information in this section needs the validated results from Magruder Data Request Three, which has not been answered by Citizens. All values in this section are "estimates," "approximately" or "about."

<sup>16</sup> This value from Exhibit 3 to Revised 6/24/02 Application (page 2 of 8), corrects an incorrect value of \$127 million in my original Testimony.

<sup>17</sup> As reported in Exhibit 3 to the Applications(s) with a revision date of 6/24/02, the monthly total is cumulative. This responds to Citizens Data Request 1.10.

1 Q. Are some charges Not Disputed?

2 A. Yes. The Western Area Power Administration (WAPA) increased the "wheeling" charge  
3 for electricity losses due to the transmission on high voltage lines managed by WAPA  
4 between APS sources and Citizens. Neither this charge, nor the base-level charge, for  
5 which the present (old) rates have Recovered Cost, is considered disputed.<sup>18</sup>  
6

7 Q. What do you mean by Recovered Cost?<sup>19</sup>

8 A. This is a term used in Citizens Testimony last March. It is the portion of the monthly APS  
9 bill at the current rate that reimburses Citizens for purchased power. The term Cost Not  
10 Recovered is the difference between the Total APS Bill and WAPA charges minus the  
11 Recovered Costs.  
12

13 Q. What do you mean by the Disputed Charges and why are they important?

14 A. Disputed Charges should be the difference between the Citizens interpretation of the fair  
15 and reasonable charges under the Old Agreement and the interpretations made by APS  
16 starting in May 2000 for "excess" charges that have not been reimbursed or recovered by  
17 routine payments of ratepayers.  
18

19 Q. Who owes the Disputed Charges?

20 A. Other Parties, including Citizens, have discussed fair and reasonable interpretations of  
21 the Old Agreement. In my opinion, Citizens has correctly evaluated costs in accordance  
22 with the "SIC" clause. I am leaving those details to others to discuss.  
23

24 Q. If Citizens is correct, who should pay the Disputed Charges?

25 A. It is obvious that under these conditions, that APS has overcharged Citizens. APS should  
26 reimburse Citizens the Disputed Charges, plus accrued interest, as required by APS  
27 Contract 48166, ¶16.5.<sup>20</sup>  
28  
29

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<sup>18</sup> Values for Disputed Charges and Not Disputed Charges should be in Citizens Response to my Data Request Three.

<sup>19</sup> Values for Recovered Costs and Costs Not Recovered should be in Citizens Response to my Data Request Three.

<sup>20</sup> APS Contract 48166, paragraph 16.5 reads, as "Any excess amount of bill, which, through error or as a result of a dispute may have been overpaid shall be returned upon determination of the correct amount, with interest." Unfortunately, without receipt of information requested in Marshall Magruder Data Request Three, this "correct" amount cannot be determined without Citizens support.

1 Q. For how much of the principal should the Citizens ratepayers be responsible?

2 A. Since both APS and Citizens have never been able to agree on the terms of the Old  
3 Agreement, it is impossible to determine this amount.

4  
5 Q. Why is it impossible to determine the principal for this PPFAC "loan"?

6 A. The amount of the disputed charges remains unresolved. The Application claims the  
7 disputed charges are the ratepayer's responsibility. Since APS has already received  
8 payments, APS has no further interest in solving this issue. Avoiding these Disputed  
9 Charges appears to be their goal. In fact, APS has stated in the last two PWCC Annual  
10 Reports that will "vigorously defend" these charges, if challenged by Citizens.

11  
12 Until this APS-Citizens dispute is resolved, the amount of these Disputed Charges will,  
13 apparently, remain unknown.

14  
15 APS has not been called as a party to these hearings. The APS side of this dispute is  
16 unknown.

17  
18 Q. Do you recommend that APS be summoned to be a party to these hearings?

19 A. That is one possible solution, another solution would be for Citizens and APS to resolve  
20 the disputed amount of purchase power charges before proceeding with this case.

21  
22 Q. Should these disputed charges be verified and validated prior to continuing in these  
23 hearings?

24 A. Yes, that would seem to be a necessary first step. The Application asks for payment from  
25 the ratepayers for the Costs Not Recovered amounts. Citizens has already paid all  
26 charges, including disputed and costs not recovered, under protest, as required by its Old  
27 Agreement with APS.

28  
29 Q. How can the Commission to raise customers' rates for "disputed" and "unknown" charges  
30 that may or may not even be reimbursable expenses?

31 A. I do not know how the Commission could justify such an action.  
32  
33  
34

1 Q. What could happen after the disputed charges are resolved?

2 A. After resolution, these hearings could be resumed, with a new Application that had a  
3 basis; an amount agreed upon by APS and Citizens.  
4

5 Q. What are ways the Citizens and APS could resolve their disagreements of the terms of  
6 the Old Agreement?<sup>21</sup>

7 A. There are several alternatives that should be exhausted prior to returning to these  
8 PPFAC hearings. Perhaps the easiest would be to use the good offices of the ACC. In  
9 addition, there is the FERC dispute resolution process, mediation, arbitration, or litigation,  
10 at the federal or state levels; all appear to be alternatives.  
11

12 Q. Are you saying that these hearings should not continue until the disagreement between  
13 Citizens and APS about charges under the Old Agreement is resolved?

14 A. Yes. It is clear that there is an amount that APS claim that Citizens be charged for  
15 purchased power during the disputed time period. Until the actual amount is known, there  
16 is no way to determine if Citizens should be granted the privilege of charging the Citizens  
17 ratepayers more for purchased power.  
18

19 Q. What should be done about the PPFAC "interest" that is accruing in the PPFAC account?

20 A. First, a decision needs to be made by the Commission if such interest is justified.  
21 Citizens' argues that similar interest has been reimbursed in natural gas cases. Electricity  
22 is a different type of commodity. The fact that it cannot be stored, moves very fast, and  
23 other precedent setting reasons, are some rationales, why the Commission should deny  
24 such interest. Citizens requested in its Application that a 6 percent (6%) interest,  
25 compounded monthly, be used. Even if justified, until the amount of principal is  
26 determined, it will be impossible to correctly determine the interest.  
27  
28  
29

---

<sup>21</sup> Citizens Data Response 1.09 requested that both the FERC and ACC process to resolve the dispute be provided. As indicated in responses to Data Requests 1.04 (for FERC) and 1.05 (for ACC) have been discussed above. The primary references for the FERC process would be those in Article 10 of the PWCC-Citizens "Rate Schedule FERC No. 4" and for the ACC, the various A.R.S. and A.A.R. sections discussed and updated herein. All parties hold these documents.

1 Q. Should the PPFAC Loan interest be considered for reimbursement, and added to the  
2 rates, paid by Citizens customers?

3 A. No interest should be paid by ratepayers for imprudent management decisions (see next  
4 section). If Citizens determined that APS "overcharged," then APS is obligated pay  
5 interest to Citizens, as both agreed under the Old Agreement.  
6

7 Q. Should any interest be reimbursed by the ratepayers?

8 A. No, this "interest" in either case (Citizens or APS) should be considered as non-  
9 reimbursable business costs.  
10

11 5. Citizens Management Decisions.<sup>22</sup>  
12

13 Q. In the above comments, you discussed "imprudent" decisions made by Citizens  
14 management. Could you elaborate?

15 A. This is an important issue. When management makes a series of illogical, irrational, or,  
16 in general, imprudent decisions, it will cost a company money. Such decisions cannot be  
17 legally reimbursed.  
18

19 Q. What are some of the decisions Citizens made that you consider imprudent?

20 A. In Table 1, I have listed some of the imprudent Citizens' management decisions and why  
21 I consider them imprudent.<sup>23</sup>  
22

*Table 1 – An Initial List of Some of Citizens Imprudent Decisions.*

Imprudent Management Decision	Why I believe the Decision was imprudent
1. Decided not to solve the SIC issue, raised in 1999, by the spring of 2000	Management failed to understand and anticipate the consequences with respect to rates under conditions, such as those of 2000 and 2001. Management has not yet dealt with this problem.
2. Decided not to resolve the "disputed" APS charges	Management decided to do nothing to resolve these "Disputed Charges paid under protest." Doing nothing does not solve the problem.

<sup>22</sup> Citizens Data Request One requested that each "imprudent management decision" be identified and an explanation be given as to why it is considered to be an "imprudent" decision. This section provides a response to Data Request 1.14.

<sup>23</sup> In specific response to Citizens Data Rate 1.14.

**Table 1 – An Initial List of Some of Citizens Imprudent Decisions.**

Imprudent Management Decision	Why I believe the Decision was imprudent																
3. Decided not to protect their customers from “excessive” charges	Management has decided not to solve the “excessive” charges issue that was noted in almost every SEC 10-K/Q since fall of 2000 as excessive. It appears Citizens has decided it does not have a moral, ethical, or legal obligation to protect its customers from these excessive charges. “Concern” for low income customers does not prevent or protect the customers from clearly excessive charges.																
4. Decided not to collect a refund of Disputed Charges from APS so that Citizens customers are not asked pay excessive charges	Management knew these were excessive charges. They paid them, but Citizens has never asked APS to refund any of the “excess” or overcharges. Citizens management decided not even to try to obtain a refund for the Disputed Charges.																
5. Decided not to consider the impacts of complete “pass through” to customers	Management continuously states, “we make no profit” on excessive charges. This implies there is no concern, other than profit. This attitude indicates lack of concern for their customers. Citizens customers will never accept the “pass through” of another company’s excessive charges, paid under protest, by Citizens management. What could Citizens’ management be thinking?																
6. Decided not to complete what Citizens indicated it would accomplish in its Application, the Phase III Analysis	Management has failed to provide the analysis necessary to complete Phase III, as discussed in the Application. Without this promised analysis, Citizens has failed to meet the goals it established for understanding the problems associated with APS’s overcharges. This analysis was to provide a clear description of the problem.																
7. Decided not to have a third-party determine the value of the Disputed Charges	Management has not considered or attempted to have a third party conduct an independent analysis with APS to mediate or arbitrate a solution to the Disputed Charge issue. Until APS is brought before an independent body and a judgment is made as to whether the charges were fair and reasonable, the disputed payments must remain as originally declared: <u>disputed and paid under protest</u> .																
8. Decided not to negotiate a reasonable rate with PWCC in the proposed Agreement	<p>Management negotiated at \$58.79/MW-hr agreement with PWCC, which is higher than ANY maximum rate in the past 12-months (see Mirant values in table below, daily in WSJ). This NEW rate <u>exceeds ANY daily value in past 12 months</u>. This is not how PWCC develops their electricity cost, but it’s close enough to say that \$58.79 is way too high for Firm and Non-Firm hours, and exceeds EVERY day’s FIRM costs for past 12 months. Why is Citizens management paying nearly twice the going rate for wholesale electricity? And, why do they not attempt to negotiate a fair and reasonable rate?</p> <table border="1" data-bbox="690 1474 1438 1630"> <thead> <tr> <th colspan="4" data-bbox="690 1474 1438 1506">Mirant FIRM (from day ahead)</th> </tr> <tr> <th data-bbox="690 1506 987 1549">52-Week</th> <th data-bbox="987 1506 1141 1549">National</th> <th data-bbox="1141 1506 1301 1549">East</th> <th data-bbox="1301 1506 1438 1549">West</th> </tr> </thead> <tbody> <tr> <td data-bbox="690 1549 987 1591"><b>Highest daily value</b></td> <td data-bbox="987 1549 1141 1591"><b>\$49.64</b></td> <td data-bbox="1141 1549 1301 1591"><b>\$58.62</b></td> <td data-bbox="1301 1549 1438 1591"><b>\$45.53</b></td> </tr> <tr> <td data-bbox="690 1591 987 1630"><b>Lowest daily value</b></td> <td data-bbox="987 1591 1141 1630"><b>\$18.23</b></td> <td data-bbox="1141 1591 1301 1630"><b>\$17.59</b></td> <td data-bbox="1301 1591 1438 1630"><b>\$14.73</b></td> </tr> </tbody> </table>	Mirant FIRM (from day ahead)				52-Week	National	East	West	<b>Highest daily value</b>	<b>\$49.64</b>	<b>\$58.62</b>	<b>\$45.53</b>	<b>Lowest daily value</b>	<b>\$18.23</b>	<b>\$17.59</b>	<b>\$14.73</b>
Mirant FIRM (from day ahead)																	
52-Week	National	East	West														
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<b>Lowest daily value</b>	<b>\$18.23</b>	<b>\$17.59</b>	<b>\$14.73</b>														
9. Decided not to re-negotiate fair and reasonable rates, now that the pressures of the summer of 2001 have been relieved	Management has failed apparently to understand the proposed contract is NOT advantageous in today’s environment and management has apparently not attempted to renegotiate a better deal for its customers.																

**Table 1 – An Initial List of Some of Citizens Imprudent Decisions.**

Imprudent Management Decision	Why I believe the Decision was imprudent
10. Decided not to reduce "energy losses" from the APS and Citizens tie points to customers	Management has applied the same 10.96% energy loss (from last rate case) without any improvement in losses. Why has there not been any improvement in the transmission and distribution network within Citizens service area? Is this lack of improvement related to AED being "for sale" and any improvements being deferred to the next owner(s)? This lack of action does not help anyone.
11. Decided not to assess, understand and validate the increased "energy losses" from the WAPA	Management has applied for this increase of 4.36% for WAPA energy loss without any validation or attempts to reduce. Again, another "pass through" to the ratepayers, without even a "peep" from Citizens management.
12. Decided not to incorporate the financial impact of another "wheeling" charge on customers	Management signed an agreement (PDA) with TEP for backup electricity that will cost \$223,000 a month for firm delivery of 100 MW-hr at the Nogales Gateway Substation as "backup" at any time, it is needed. Management does not seem to understand or care that this will raise rates and cost more than any benefit ratepayers would receive for an average of 2.049 hours backup on this line annually.
13. Decided to add a third "transmission loss" charge increasing energy losses to over 35%	Management, when it agreed to the TEP transmission line charges, which involve about 20% for these TEP energy losses, plus 10.96% for APS energy losses and 4.36% for WAPA losses. The total energy loss of over 35% extra generation is paid to others just to deliver electricity to Citizens customers. Management at other entities appreciates Citizens these "pass throughs" for additional revenue to TEP (over 20%), APS (10.96%) and WAPA (4.36%).
14. Decided not seek any potential customers for the 100 MW Firm delivery in Nogales, Arizona	Management has signed an agreement to pay for 100 MW of power in Nogales, Arizona, with an area customer load, that rarely exceeds 50 MW. Citizens "hopes to find" a customer for a multi-year purchase agreement of the 100 MW, but this seems unlikely without a Mexican Constitutional change. In addition, this could cause another dispute with PWCC since the proposed PWCC-Citizens Agreement limits Citizens from most other purchased power sources, such as TEP.
15. Decided to not have a second transmission line to Nogales operational on time.	Management's failure will result in a \$30,000 penalty per day after the required operational date of December 31, 2003. So far, TEP is about 9 months behind schedule and may be slipping more each day. This will amount to a penalty loss (obviously non-reimbursable) of \$360,000 per annum until operational. Other solutions available are less expensive (about 1/3 of present cost), with higher reliability, much lower energy losses, and other economic decision errors.
16. Decided not to establish "Energy Risk Management Techniques" requested in the Application	Management has failed to establish or even propose a "Demand Side Management" program as promised in the Application. There is a conservation program, but it fails to reduce the peak "demand side" of the business when electricity is most expensive. Customers demand "fair and reasonable" prices that will result from load shaping.
17. Decided not to obtain "fair and reasonable" rates for Citizens customers	Management has continually failed to aggressively pursue ways to lower customers' costs. For example, in Southern Arizona, there are at least two other utilities (TEP and SWT) from whom Citizens could buy electricity for Santa Cruz County customers. Why aren't they being used to "force" competition with the present Seller?

**Table 1 – An Initial List of Some of Citizens Imprudent Decisions.**

Imprudent Management Decision	Why I believe the Decision was imprudent
18. Decided not to find a "buyer" for AED in a reasonable period to time.	Citizens Management search for a buyer for its Arizona resources has gone on too long. Companies "for sale," traditionally receive a "cosmetic" facelift when put on the market, capital costs and any "frills" are removed, and all financial statements are cleared of items to which a potential buyer might object. This kind of gamble may go on for a year or two. This current situation is going on, now, into a fifth year. Citizens' management made AED a "disposable" resource in its SEC 10-K/Q balance sheets and stopped "depreciating" capital items that should be depreciated.
19. Decided not to actively pursue innovative, renewable energy resources	Management has failed to establish an aggressive plan to reduce long-term energy requirements, other than some conservation measures. To the best of my knowledge, there are no distributed generation plants proposed to reduce energy losses, no renewable energy source incentives, no major renewable capital improvements, and no local generation resources under development. What we have, in reality, just a shell of a company doing its best to get out of Arizona.

6. New Agreement Issues.<sup>24</sup>

Q. What are the principle differences between the Old and New Agreements?

A. The New Agreement is a seven-year, fixed rate, full service agreement. Electric power is provided by APS at \$58.79 per Megawatt-Hour (MW-hr). The Old Agreement used a series of cost schedules for basic and peak loads, taking into account time of the day.

Q. Are there advantages to Citizens and APS in the New Agreement?

A. Yes, it seems to avoid the disputed terms of the Old Agreement and appears easier to administer.

Q. What are the advantages to Citizens ratepayers under to New Agreement?

A. One advantage is a guaranteed fixed rate, through May 31, 2008.

Q. Are there any disadvantages to Citizens in the New Agreement?

A. Yes. The New Agreement means higher rates for its customers and some additional restrictions such as Citizens' use of its generation resources (see section 7 below).

Q. How does a fixed rate at \$58.79 per MW-h compare to today's market?

<sup>24</sup> Additional testimony will be added to this section upon receipt of Citizens Response to Marshall Magruder Data Request Three.

1 A. It is approximately twice that presently charged at western states switchyards, such as at  
 2 Palo Verde. Fixed charge contracts usually have higher rates to cover contingencies and  
 3 unknown risks, but twice the going rate appears excessive. For example,<sup>25</sup> the national  
 4 market values, reported daily in the *Wall Street Journal*<sup>26</sup>, are the high and low demand  
 5 weighted average prices for the past twelve months shown in Table 2 below. The new  
 6 PWCC-Citizens contract is higher than any regional cost in the continental U.S. The fixed  
 7 cost of \$58.79 exceeds the Mirant West Power Index 52-week high of \$45.53. It also  
 8 greatly exceeds the 52-week low values that vary between \$14.73 and \$18.23 per WM-h.  
 9 No daily high for electricity has reached \$58.79 per MW-h. This fixed price contract is  
 10 constant at a rate higher than everyday, using this data, for the past year. The new  
 11 Agreement can only be defined as having **excessively high rates**.

12  
 13 **Table 2 - Mirant National Power Indexes**  
 14 *Demand weighted average price in \$/MW-hr for the continental United States.*  
 15

Mirant National Power Index	Mirant East Power Index	Mirant West Power Index
<b>52-wk High</b>		
<b>49.64</b>	<b>58.62</b>	<b>45.53</b>
<b>52-wk LOW</b>		
<b>18.23</b>	<b>17.59</b>	<b>14.73</b>

16  
 17 Q. Do you have additional data to support a conclusion that the "New" wholesale electric  
 18 rates of \$58.79 per MW-hr are **excessive**?

19 A. Yes. Last week, Tucson Electric released a report for Third Quarter Earnings.<sup>27</sup> It stated

20  
 21 "In the third quarter of 2002, wholesale sales volumes were down 30.8 percent  
 22 compared with the third quarter of 2001, resulting from decreased demand for  
 23 power in the western United States energy markets. Wholesale revenues were  
 24 \$41.1 million, down from \$206.9 million in the third quarter 2001. Around-the-clock  
 25 power prices on the Dow Jones Palo Verde Index averaged \$28 per MWh during  
 26 the third quarter 2002 compared to \$40 per MWh in the same period last year."  
 27

<sup>25</sup> Citizens Data Request One requested statistical data be provided. The next few paragraphs and Exhibit B respond to Data Request 1.13. There is much more data available; however, without subscriptions services used by electricity traders and utilities, I am limited to published data to assess non-real time situations.

<sup>26</sup> See *Wall Street Journal*, 4 November 2002, page C10.

<sup>27</sup> TEP News Release, 20 October 2002, see [www.businesswire.com](http://www.businesswire.com) or [www.unisource.com](http://www.unisource.com)

1 In addition, from several other sources, I learned that there is usually close tracking  
2 between Palo Verde and other western energy markets. For example,<sup>28</sup>

3 **Table 3 – Western Energy Prices, Week of October 21-25, 2002.**

Western Electricity Prices Week of October 21-25, 2002		
Hub	Peak (heavy)	Off-peak (light)
Alberta Pool (C\$)	10.08-65.90	9.85-45.02
Mid-Columbia	30.5-36	21.5-26
COB	33-38.5	24-25
NP 15	38-43.25	23.5-26.75
SP 15	37.25-43	23-26
<b>Palo Verde</b>	<b>34.75-38</b>	<b>21-25</b>

4  
5 Please note the typical closeness of Palo Verde and the other western energy markets.  
6 Also, note the difference in Peak with heavy traffic and Off-Peak with light traffic

7  
8 Other data, which I have compiled from the *Wall Street Journal*, are found in Exhibit B.  
9 The data are not for Palo Verde because the *WSJ* stopped publishing its Dow Jones Palo  
10 Verde Index in March 2002 in their daily paper. The DJ Palo Verde Index is still available  
11 on a subscription basis so utilities and other agencies will not doubt have this information.  
12 The Dow Jones California-Oregon and Oregon-Nevada Border (DJ COB) Index is still  
13 published daily. From available issues, Exhibit B was constructed for the DJ COB data.  
14 Please note that this index has not exceeded \$50 per MW-hr during the past 52-week,  
15 not even for one day.

16  
17 Q. How did Citizens come to agree to this New Agreement with such high charges?

18 A. During the negotiations between APS and Citizens, from late winter of 2000 through July  
19 2001, the California energy crisis was on everyone's mind. The high charges in California  
20 were impacting all western energy markets. Citizens was under pressure on many fronts,  
21 which included:

22 (1) Resolving the Old Contract disputed charges with APS,

23 (2) Completing analytical studies described in the original Citizens Application,

<sup>28</sup> Western Price Survey, "Prices Wax, Freeze, then Wane," 25 October 2002, see  
<http://www.newsdata.com/cem/pr102502.html>

- 1 (3) Keeping customer reliability high during to a class-action law suit (*Chilcote, et al*  
2 *versus Citizens Utilities*),  
3 (4) Negotiating with Tucson Electric Company (TEP) concerning a second source of  
4 electricity for Nogales and Santa Cruz County customers,  
5 (5) Keeping the agreement to sell AED to CapRock, and  
6 (6) Avoiding higher energy costs for the summer of 2001.

7 These pressures must have impacted the actual May-July 2001 Citizens-APS  
8 negotiations and decision-making.  
9

10 Q. Can anything now be done to reduce the rates of the New Agreement?

11 A. Yes. The governing FERC Order, which includes dispute mediation and arbitration, was  
12 not exercised before Citizens applied for this rate increase, as a way to solve this issue.  
13

14 Q. What if APS does not want to negotiate the New Agreement?

15 A. The same options, including the good offices of the ACC, FERC dispute resolution,  
16 mediation, and binding arbitration are available without extensive litigation expense.  
17

18 Q. Should Citizens ratepayers pay any unfair or unreasonable rates under the New  
19 Agreement?

20 A. No, in addition to the information I have prepared, the testimony by others in these  
21 hearings has shown this fixed rate is above the norm therefore unreasonable.  
22

23 Q. Can the Arizona Corporation Commissioners reduce rates specified in the New  
24 Agreement if they are found to be not fair and reasonable?

25 A. It appears to me that is an element of their statutory and fiduciary obligations. A.R.S. 40-  
26 203<sup>29</sup> is clear. Whenever the Commission finds the rates, charges, demanded or  
27 collected is unjust, discriminatory or insufficient, the Commission shall determine and

---

<sup>29</sup> A.R.S. §40-203 (Power of commission to determine and prescribe rates, rules and practices of public service corporations) states:

When the commission finds that the rates, fares, tolls, rentals, charges or classifications, or any of them, demanded or collected by any public service corporation for any service, product or commodity, or in connection therewith, or that the rules, regulations, practices or contracts, are unjust, discriminatory or preferential, illegal or insufficient, the commission shall determine and prescribe them by order, as provided in this title.

1 prescribe [them].<sup>30</sup> This article specifies rates shall not be "unjust" or "insufficient." Based  
2 on former observations, the Commission considers this "balance" in making decisions.  
3 There is nothing in this article, which specifies "wholesale" or "retail." It appears  
4 "wholesale" and "retail" are not considerations. The filings with FERC clearly indicate that  
5 that FERC does not approve "rates"; therefore, it is the sole responsibility of the ACC to  
6 make the "fairness" and "reasonableness" ruling.  
7

8 Q. Are the rates specified in the New Agreement fair and reasonable? Who should prove  
9 that these new rates are fair and reasonable?

10 A. The Applicant, Citizens, should clearly prove that these new rates are fair and reasonable  
11 for the ratepayers in the Citizens service area. There has been no proof presented to  
12 date that \$58.79 per MW-hr is fair and reasonable. The Arizona Corporation Commission  
13 sets and approves consumer electric rates in Arizona.  
14

15 7. Valencia Turbines.  
16

17 Q. What are the Valencia turbines?

18 A. Citizens' has three combustion turbines installed at the Valencia Substation in Nogales,  
19 Arizona. These turbines have been described by Citizens as "peaking" or "backup"  
20 turbines. They are rated at 15 to 18 MW each and together have carried loads in excess  
21 of 45 MW and have served all Citizens customers in Santa Cruz County. Please recall  
22 that the Santa Cruz County customers have rarely required more than 45 MW.  
23

24 Q. Are these turbines important to Citizens operations in Santa Cruz County?

25 A. After the Nogales Electric Company closed down its local generation operations (that is,  
26 for about the past 45 years), Nogales has been dependent upon a 115-kV transmission  
27 line from Tucson. The transmission line is operationally rated for 60 MW with recent  
28 upgrades to 100 MW. During lightning storms, the Valencia turbines are "spinning without  
29 loading" so that backup, electric power is available in case of an outage on the Citizens-  
30 owned 115-kV transmission line. For the past five years, transmission line outages have  
31 averaged 2.049 hours per year, so such backup is necessary, but infrequently necessary.

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<sup>30</sup> In response to Citizens Data Request 1.15 which requests the source of Authority of the ACC to "reduce rates in a wholesale power contract. The full title of this Application includes "change the current purchased power and fuel adjustment clause rate, to establish a new purchased power rate and fuel adjustment clause bank."

1 As a peaking plant, these turbines can be used to provide additional power when the  
2 Santa Cruz County load approaches or exceeds 60 MW.

3  
4 Q. Can these turbines provide cost-effective additional generation capabilities for Santa Cruz  
5 County?

6 A. These turbines are capable of providing electricity for the entire load 99.9% of the time.  
7 Further, they are economical and cost-effective to run during load periods when  
8 purchased power on the market exceeds their operational cost. In general, they are  
9 between one and a half (1.5) to almost three (3) times more expensive to operate when  
10 compared to the fixed rate under the New Agreement. They have demonstrated an  
11 average power production cost of \$151.89 per MW-h for all power these turbines  
12 produced versus the \$58.79 per MW-h rate under the New Agreement. These figures  
13 include extensive time periods when these turbines carried no load and were operated as  
14 spinning reserves to ensure reliability, so the actual cost per MW-h is less. For example,  
15 during the month of May 2002, Citizens operated these turbines to generate 863 MW-h at  
16 an operational cost of \$79,962.27 for value of power generated at \$92.68 per MW-h. This  
17 is about 1.6 times the New Agreement fixed rate but could be economically beneficial if  
18 used exclusively during advantageous peak rate times.

19  
20 Q. Have these turbines been used to provide economical electricity to Santa Cruz County, at  
21 rates lower than the Old Agreement?

22 A. During May of 2001, these turbines were operated during peak hours by Citizens to avoid  
23 high costs (disputed) under the Old Agreement. During this month, Citizens avoided  
24 \$1,306,944 in purchase power costs from APS at a cost of \$540,884 in fuel used by  
25 these generators. The overall savings was \$766,060.

26  
27 Q. Are there restrictions on the use of the turbines under the New Agreement?

28 A. Citizens can operate these turbines during storms for reliability purposes, but only with  
29 advanced permission from APS, for economic reasons. Based on the potential savings to  
30 ratepayers demonstrated during May 2001, APS is unreasonably restricting Citizens in its  
31 ability to serve customers at the best cost under the New Agreement. In addition, the  
32 New Agreement limits the total output to a maximum of 30 – 35 MW-hr. Since this limit

1 may unreasonably restrict Citizens from providing all of its Santa Cruz County customers  
2 with locally generated electricity. I asked about this in my Data Request Three.<sup>31</sup>

3  
4 Q. Can this part of the agreement be modified?

5 A. There are at least two ways this could happen. Either

6 (1) Modify the New Agreement by methods discussed elsewhere, or the

7 (2) Commission could prohibit APS from restricting turbine operations when any  
8 economic cost savings are possible for Citizens ratepayers.

9  
10 8. Impact of these hearings on the Sale of Citizens AED.<sup>32</sup>

11  
12 Q. Is there any concern that the magnitude of these PPFAC hearings may impact the  
13 Citizens sale of AED?

14 A. Citizens acknowledges it has ongoing discussions with APS and others for the purchase  
15 of AED. As APS could be directly impacted by the results of these PPFAC hearings,  
16 Citizens has been queried in every way I can imagine to ensure that no pre-arranged  
17 agreements exist between Citizens and APS, if this sale occurs and the ruling is  
18 unfavorable to Citizens. Citizen's responses have been consistent to these questions and  
19 state that no such pre-sale agreement(s) exist.

20  
21 Q. The *Nogales International* has published articles that the City of Nogales is interested in  
22 converting a part of Citizens AED into a municipal electric utility. Others have also  
23 expressed interest. Do you have knowledge that these hearings have influenced these  
24 discussions?

25 A. In Citizens response to Data Request MM-2.10 (8), I learned that Citizens "does not know  
26 whether the current power supply agreement with Pinnacle West Capital Corporation has  
27 impacted any opportunities to sell the Arizona electric properties." Citizens indicated APS  
28 substantially interfered with opportunities to sell Citizens until the New Agreement.

29  

---

<sup>31</sup> This provides an interim answer to Citizens Data Request One 1.16 as additional information needs to be provided by Citizens in response to Marshall Magruder Data Request Three MM-3.6 (9) which asked about paragraph 1.9 of the New Agreement found in the Amended Application, in Exhibit 2, on sheets 6 and 7.

<sup>32</sup> On 29 October 2002, both Citizens and UniSource, holding company for Tucson Electric Power Company (TEP), announced that agreement had been reached for the sale of both the Citizens AED and Arizona Gas Division to TEP for \$230M. This has not been reflected nor considered in this section of Testimony.

1 Impacts on a sale by a ruling from these hearings have not been determined. However,  
2 logically, if the AED is strapped with a significant debt, such as denial of the  
3 approximately \$119.4 million rate increase, potential sales opportunities would probably  
4 diminish. If such a debt were owed by AED, this debt could significantly reduce the book  
5 value and reduce any potential gain from the sale. For example, in this scenario, Citizens  
6 and its shareholders would be out \$119.4 million. Thus, if the ACC denied Citizens the  
7 right to collect \$119.4 million from ratepayers, a results would be (1) a reduction in the  
8 AED book value and (2) ratepayer's purchased power energy costs should remain  
9 constant (also please see section 9 below).

10  
11 If the ACC granted the Application, then the same new energy costs, debt and interest  
12 are shifted to the ratepayers. Citizens and its shareholders, benefit by gaining \$119.4  
13 million and while the ratepayers will have to pay \$119.4 million. Citizens' customers have  
14 no choice of provider. The ratepayers would have their rates increased by an average  
15 over 40% for seven years in order to pay for disputed charges and interest for a seven-  
16 year period plus 46% higher purchased power energy costs (see below) under the New  
17 Agreement.

18  
19 9. Calculation of Purchase Power and Fuel Adjustments under the New Agreement.<sup>33</sup>

20  
21 Q. What are the components used to calculate the total cost of power supply in Citizens  
22 basic service rates?

23 A. These components are the cost of power, called energy price, plus the costs of  
24 transmission to import power into Citizens service areas.

25  
26 Q. The New Agreement Energy Price.

27 A. The Amended Application established a fixed price of \$58.79 per MW-hr<sup>34</sup> for all sales by  
28 APS to Citizens under the New Agreement.

29  
30 Q. The New Agreement Transmission Costs.

31 A. The energy loss rate used for rate determination is 10.69% (or \$6.86 per MW-hr) based  
32 on Citizens last rate case to account for the cost to deliver to customer's meters. This

<sup>33</sup> Citizens' response to Marshall Magruder Data Request Three is necessary to complete this section of testimony.

<sup>34</sup> See Amended Application, dated 21 September 2001, page 8.

1 increases the delivered electric cost from \$58.97 to \$65.85 per MW-hr.<sup>35</sup> In addition,  
2 Citizens has negotiated a new transmission agreement with WAPA increase of \$0.44 or  
3 an additional \$4.36 per MW-hr for a total of \$70.21 per MW-hr.  
4

5 Q. Are there additional transmission charges the Citizens ratepayers could incur during the  
6 time frame of the New Agreement?

7 A. Yes, starting 31 December 2003 additional transmission line "wheeling" charges have  
8 been agreed to by Citizens that will raise the Santa Cruz County ratepayer's rate about  
9 \$15/customer per month for a 100 MW of "backup" firm electricity delivery. For additional  
10 discussion, please see my Comments of 13 March 2002. Citizens' management agreed  
11 to this in the Project Development Agreement (PDA) in January 2001 with Tucson  
12 Electric Company (TEP).  
13

14 Q. What impact does the New Agreement have on typical customer rates of the Old  
15 Agreement?

16 A. The current customer service rate, under the old Agreement, is \$48.02 per MW-hr.<sup>36</sup>  
17 Under the New Agreement, considering only Energy Price and transmission costs, the  
18 rate would be \$70.21 - \$48.02 or \$22.19 per MW-hr higher.  
19

20 Q. What is the impact of the proposed New PWCC-Citizens and WAPA Agreements, when  
21 compared to the Old Agreement, on the customer's?

22 A. It would be equivalent to raising the MW-hr Energy Price from \$48.02 to \$70.21. \$70.21  
23 divided by 48.02 equals 1.462, or a 46.2% increase in the Energy Price, obviously, a  
24 significant increase in consumers' cost for electricity.  
25

26 Q. Does this 46.2% increase include just purchase and delivery costs increases from the  
27 New Agreement and WAPA Agreements?

28 A. These are the increases only for these two Agreements, to "deliver electricity to the  
29 Citizens ratepayers." This increase does not include any disputed charges or loan  
30 carrying charges being claimed by the Applicant or the TEP "wheeling" charges. The  
31 ratepayer will have this 46.2% increase until May 31, 2008, for just the New and WAPA  
32 Agreements increases if the Amended Application is approved.

<sup>35</sup> See Amended Application, page 7.

<sup>36</sup> See Amended Application, page. 8.

1  
2 Q. Do other claims in the Amended Application increase customer costs?

3 A. Yes, the Applicant requested all "disputed" charges and PPFAC loan interest be  
4 reimbursed by ratepayers. This is the ever-increasing, loan interest in each update to  
5 Exhibit No. 3 of the Amended Application. If this is considered as a reimbursable  
6 expense, or any part of the interest considered appropriate, the ratepayers will see an  
7 increase greater than 46.2%. An even larger increase is likely if the "bank amortization"  
8 for the disputed charges for carrying cost (interest) is included in this PPFAC settlement.

9  
10 Q. Do you recommend that the Commission approve the New Agreement and WAPA  
11 Agreement increases that are recommended in the proposed Amended Application?

12 A. Only the WAPA Agreement should be approved, without change.

13  
14 The New Application has an Energy Price that is high compared to the market. APS could  
15 cover for all risks with high prices during May-June 2001 when Citizens was in a stressed  
16 negotiation environment. Diverse financial and operational pressures impacted Citizens  
17 during negotiations in May to July 2001, which may have led to the New Agreement  
18 under adverse environmental conditions or duress. Market characteristics since May-  
19 June of 2001 have changed. The California energy crisis of 2000 has come and gone,  
20 Enron collapsed, ACC changed its deregulation plans, natural gas prices are lower again,  
21 FERC proposed a standard market design plan, the ACC is planning a Solicitation in  
22 2003, and FERC has conducted several detailed investigations concerning price gouging  
23 in the Western states (which could be related). In general, however, the electrical market  
24 returned to its former, more stable condition. Now, Citizens needs to see if the Energy  
25 Price of \$58.79 could be reduced to a level that still give a fair and reasonable profit to  
26 APS, perhaps, something nearer to the current service rate of \$48.02 at the most and  
27 including WAPA and APS energy losses.

28  
29 10. Demand Side Management.

30  
31 Q. In the original Application, Citizens proposed to reduce electric costs by effective Demand  
32 Side Management (DSM). What are the results of the DSM?

33 A. Citizens' provides semi-annual reports on Demand Side Management Programs to the  
34 ACC Staff. In the latest report of 30 August 2002, Citizens stated its total cost of

1 approximately \$113,227 during this six month period provided savings of 2,788 MW-h per  
2 year. A review of material concerning Citizens ongoing DSM program indicated excellent  
3 literature concerning energy conservation and efficiency.  
4

5 Q. What is Citizens definition for DSM?

6 A. Citizens response to Data Request MM-2.11 (10), "Demand Side Management is the  
7 effort to improve the efficiency of using electric energy and power."  
8

9 Q. What is the Department of Energy (DOE) definition for DSM?

10 A. The DOE DSM program states:

11 Demand-side management (DSM) programs consist of the planning, implementing,  
12 and monitoring activities of electric utilities which are designed to encourage  
13 consumers to modify their level and pattern of electricity usage. In the past, the  
14 primary objective of most DSM programs was to provide cost-effective energy and  
15 capacity resources to help defer the need for new sources of power, including  
16 generating facilities, power purchases, and transmission and distribution capacity  
17 additions. However, due to changes that are occurring within the industry, electric  
18 utilities are also using DSM as a way to enhance customer service. DSM refers to  
19 only energy and load-shape modifying activities that are undertaken in response to  
20 utility-administered programs. It does not refer to energy and load-shape changes  
21 arising from the normal operation of the marketplace or from government-mandated  
22 energy-efficiency standards.

23 (See [http://www.eia.doe.gov/cneaf/electricity/dsm/dsm\\_sum.html](http://www.eia.doe.gov/cneaf/electricity/dsm/dsm_sum.html))  
24

25 Q. What are the differences between these definitions?

26 The Citizens definition is an energy efficiency or conservation definition, which consists of  
27 admirable programs. Unfortunately, the DSM action words "load-shape" is missing. It is  
28 by load-shaping that saves generation resources, transmission and distribution costs,  
29 during peak demand periods.  
30

31 By having customers shift loads from peak to non-peak periods Citizens could reduce its  
32 highest cost demand and provide non-peak power at lower rates. Having large users  
33 accept interruptible instead of firm delivery services, is also a savings option for Citizens  
34 and its customers. Both of these "shape" loads provide for efficient use of capital  
35 equipment results. For example, in Santa Cruz County, when there was the 60 MW  
36 transmission line, by having a few key industrial loads shift from peak to non-peak or to  
37 interruptible from firm service, during times when the loads approach 60 MW, upgrading  
38 that line to 100 MW could have been delayed for several years. On June 18, 2002,

1 Citizens peaked at 57.3 MW. A 5 MW load-shift would have given safer reserve. Utilities  
2 usually offer financial incentives to customers to shift from peak to non-peak or from firm  
3 to interruptible delivery options.  
4

5 Q. Do you recommend Citizens employ load shaping in its DSM Program?

6 A. Yes. Citizens should implement financial incentives to ratepayers for load shaping,  
7 publicize such a program, and statistically measure actual load shift changes to ensure  
8 compliance. Further, the ACC Utility Division may be remiss in not monitoring DSM  
9 programs more closely and promoting DSM actions aggressively. This can reduce capital  
10 and operations and maintenance (O&M) expenses by utilities.  
11

12 11. Conclusions.  
13

14 Q. Do you have any conclusions concerning the Old Agreement?

15 A. Yes, the disputed terms should have been resolved in much shorter period of time so that  
16 the disputed charges would have been minimal or insignificant. Citizens failed to act in a  
17 timely, prudent manner to avoid more and excessive charges.  
18

19 Q. Do you have any conclusions concerning the New Agreement and the Valencia turbines?

20 A. Yes, this contract does not allow Citizens to use all of its own generation capabilities to  
21 avoid higher avoid charges by APS. This needs to be changed.  
22

23 Q. Did the New Agreement solve the disputed charges of the Old Agreement?

24 A. No, the New Agreement did not solve the disputed charges from the Old Agreement.  
25 Citizens has not attempted to use available means to recover these costs and interest on  
26 these costs other than this Application with its request for recovery from the ratepayers.  
27 Such an attempt to avoid collection or disputes with APS is unconscionable, highly  
28 immoral, and an unethical corporate attitude towards its customers, who have no option  
29 but to use Citizens as their electrical provider. For these reasons and until the disputed  
30 costs have been validated as not disputed costs, Citizens should not be reimbursed for  
31 them or any interest associated with them.  
32  
33  
34

1 Q. Do the WASA Agreement costs appear to be fair and reasonable?

2 A. These costs, as described in the Application, appear to meet the fair and reasonable  
3 *criteria and probably should be recovered from the ratepayers.*

4  
5 Q. Should Citizens receive credit for developing DSM programs?

6 A. No, the DSM plan implemented by Citizens is a conservation and efficiency plan that  
7 fails to shape the load. The ACC Staff has, apparently, failed to provide appropriate  
8 and effective feedback to Citizens. Until the ACC Staff reviews the Semi-Annual DSM  
9 Program Reports, and provides appropriate feedback to all utilities, Citizens and the  
10 other utilities should not be permitted to deduct DSM expenses. There need to be  
11 measures and indicators that show actual DSM load-shaping results.

12  
13 12. Recommendations.

14  
15 Q. What are your recommendations for reimbursement to Citizens as requested by the  
16 Amended Application?

17 A. The following Application requested reimbursements are recommended:

- 18 a. For any disputed fuel costs under the Old Agreement – zero  
19 b. For non-disputed fuel, costs under the Old Agreement – after a judgment from  
20 *litigation, dispute resolution, or negotiations – a future PPFAC hearing should*  
21 *determine what is fair and reasonable.*  
22 c. For interest on disputed fuel costs under Old Agreement – zero  
23 d. For increases in the rates from the New Agreement – to a value similar to the Old  
24 Agreement rates at this point in time.  
25 e. For increases in rates for the WASA Agreement – as requested.  
26 f. For risk management programs – zero

27  
28 Q. Do you have additional recommendations?

29 A. Yes, see my Comments of 13 March 2002 to this docket for recommendations not  
30 included in this testimony. Some of those recommendations were modified herein based  
31 on circumstances and information received since then..

1 Conclusion of Testimony.

2 Q Has this testimony been made by you without reservations?

3 A. No. I have not received a response from the Applicants for my Data Request Three, other  
4 than Citizens' Motion to Strike.<sup>37</sup> All facts provided are from references that have been  
5 furnished by Citizens or from my files compiled during these hearings. Where unique  
6 references were considered important, they are provided in the text. A few numbers were  
7 derived from data. When costs were in \$/kW-hr, they were changed to \$/MW-hr  
8 throughout all discussions. When arithmetic was used to change a value, it was  
9 described, and usually the steps are in the testimony.

10 Thank you for your attention.

11  

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<sup>37</sup> See Citizens "Motion to Strike Marshall Magruder's Data Request Three" dated 28 October 2002. My Response to that Motion, dated 2 November 2002, has not been adjudicated as of the date for this Supplemental Testimony on 5 November 2002.

1 **Exhibit A**

2 Additional Background Information

3  
4 Q. Please provide additional background information about yourself.

5 A. At present, my consulting practice involves systems engineering and systems architecture for  
6 *military and aerospace companies*. This year, for example, I performed consulting tasks for  
7 Raytheon groups in San Diego and Fullerton, California and Marlborough, Massachusetts. I  
8 performed tasks involving front-end systems engineering, architecture framework  
9 development, interoperability planning, with reconfiguration analysis studies and  
10 presentations for the Joint Command and Control Ship (JCCX Program Office) and  
11 developing an initial IT architecture framework proposal for the Raytheon group in Plano  
12 Texas for the Objective Force Warrior (OFW), Land Warrior III Program Office; the US Army  
13 at Fort Huachuca, Arizona, for the Development Testing Command's Virtual Proving Ground  
14 (VPG), and Minister of Defence in the United Kingdom, Defense Procurement Agency,  
15 Future Aircraft Carrier (CVF) Programs Office, Abby Hill Station, Bristol, United Kingdom. I  
16 also prepare income taxes for H&R Block as a seasonal employee and for the IRS Tax  
17 Consulting for the Elderly program as AARP volunteer. I teach operations management and  
18 managing innovation courses in the University of Phoenix MBA curricula. I was appointed  
19 and served as a Commissioner on the Santa Cruz County/City of Nogales Energy  
20 Commission in spring 2001.

21  
22 Q. On whose behalf are you testifying in this proceeding?

23 A. I am testifying solely on my behalf as a resident, ratepayer, and concerned citizen of Santa  
24 Cruz County and as an Arizona taxpayer who is interested in ensuring fair and equitable  
25 rates with steady, reliable and efficient electrical service.<sup>38</sup>

26  
27 Q. Please describe your experience in more detail.

28 A. I have broad systems engineering background which have involved design and development  
29 of large systems, varying from the Kingdom of Saudi Arabia to multi-state training ranges to  
30 naval battle groups with platforms varying from aircraft carriers to all classes of warships to  
31 individual soldiers with self-contained electrical systems. As a systems engineer, I have  
32 performed the preliminary front-end analyses, including site surveys, to assess the situation  
33 that leads to defined requirements that are specified for various acquisitions and

<sup>38</sup> Response to Citizens Data Request 1.01.

1 procurements. I have preformed this for industry and various federal and state government  
2 agencies as a prime and as a subcontractor. I have led major program teams for several  
3 different projects valued in billions of dollars.  
4

5 Q. What is your educational background?

6 A. I graduated from the United States Naval Academy in 1962 with a Bachelor of Science  
7 degree with extra courses in operational and systems analysis; in 1970, from the United  
8 States Naval Postgraduate School with a Master of Science degree in Physical  
9 Oceanography; and, in 1980, the University of Southern California with a Master of Science  
10 degree in Systems Management (MSSM). In addition, I took post-masters level courses in  
11 electrical engineering at the University of Rhode Island and while employed at Hughes  
12 Aircraft Company/Raytheon. I participated in many technical, engineering and company  
13 management courses primarily concerning engineering management, total systems analysis  
14 including total ownership and life-cycle cost estimation, all phases of software development,  
15 system and program risk management systems implementation and monitoring processes,  
16 and arranged and took the only C4ISR Systems Architecture Implementation course on-site  
17 for fellow employees. I have completed at least two-dozen tax courses, varying in length from  
18 three to sixty-six hours. As a naval instructor, consultant, and University of Phoenix MBA  
19 instructor, I have instructed tactical oceanography, underwater acoustics, anti-submarine  
20 warfare, joint command and control, and operations management for over seven years.  
21

22 Q. What is your primary experience with business management?

23 A. After a career in the US Navy, I was a senior systems engineer at Hughes Aircraft Company,  
24 now Raytheon for almost 18 years. During most of my time, I was leading new, innovative  
25 development projects, many times, working directly with and/or for the business development  
26 or marketing department. In writing proposals, we always had to understand our customer,  
27 what our customer said they wanted, what could be provided, and other factors. These  
28 factors required an in-depth understanding of the customer, the total environment for the life  
29 of the item(s) we would develop, and forecasts for technology, customer demand and growth,  
30 and evolving markets in a transitional market.  
31

1 This required forecasting.<sup>39</sup> The basis for these is the lessons I teach on business forecasting  
2 and use of statistical process control in my "Operations Management for Total Quality" MBA  
3 classes. I have "forecast" very difficult underwater acoustic conditions for large and small  
4 areas worldwide. Using knowledge from statistical, probabilistic, and numeric forecasting and  
5 predictions classes, I have prepared business proposals nearly continuously for the past two  
6 decades, all of which provided foreknowledge and understanding of forecasting.

7  
8 Q. What experience do you have with electric systems?

9 A. At the US Naval Academy, my curriculum consisted of two years of electricity and electronics  
10 classes and laboratory sessions with additional emphasis in other courses. I have worked in  
11 a destroyer's engine and boiler firerooms at all positions providing, operational and  
12 maintenance experiences at all positions from generation to distribution of electricity  
13 throughout the ship system. Later in my career, while qualifying to be an Engineering  
14 Department Head, we operated all engineering positions in "casualty" modes, imposing  
15 outages, including "black ship" dead-in-the-water, restart operations, again at all positions. I  
16 have lit-off boilers, synchronized electrical loads, split and distributed electrical power, and  
17 even manually rerouted power. As a naval instructor, I managed and coordinated afloat  
18 engineering training on gas turbine ships. I have also conducted operational and  
19 maintenance inspections on fossil and nuclear-powered ships, including eight aircraft  
20 carriers. As the lead systems engineer for the new aircraft carrier and surface combatant  
21 programs, I have participated in the design of these electric-drive ships. The ships' propulsion  
22 systems will, in essence, be large electric motors, as the US Navy transforms toward all-  
23 electric ships. The new aircraft carriers will have six times the electric generation capability as  
24 today's carriers, in order to drive the electro-magnetic aircraft recovery system/electro-  
25 magnetic aircraft launching system (EARS/EMALS) systems, directed energy weapons and  
26 other equipment.

27  
28 I served as a member of the Academic Board at the US Naval Postgraduate School, where I  
29 recommended and had approved an additional "electromagnetic compatibility" course for a  
30 technical curriculum. As a systems architect, my recent consulting contracts have been  
31 developing the operational, technical and systems architectures, using a relational database  
32 management system to integrate, coordinate and correlate an interoperable design through a  
33 build-to-implementation approach for major Army, Navy, Coast Guard, and DoD programs.

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<sup>39</sup> This paragraph is provided in response to Citizens Data Request 1.08.

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21

Q. What is the purpose of your testimony?

A. My testimony represents my assessment of the Citizens Communications Company's (CCC) application and amendments for its Purchase Power Fuel Adjustment (PPFAC). I would like to have made some helpful and beneficial recommendations toward resolving the conflicts this application has presented.

Q. What is your role in these hearings?

A. I am an Intervenor. I am not a Protestor. In some areas, I support the Applicant. I want progress toward a quality, electric utility in Santa Cruz County. These hearings protect all customers, ratepayers, and shareholders. All want to be proud to be associated with their utility.

Q. Why did you submit testimony?

A. I submitted my testimony to facilitate the parties understanding the issues and their impacts on consumers, residents and ratepayers in Santa Cruz County.<sup>40</sup>

Q. Do you have in financial interest in this matter?

A. No. All of my efforts in these hearings are unpaid. I do not expect nor would I accept payment or employment resulting from participation in this case.<sup>41</sup>

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<sup>40</sup> I used the A.R.S. and A.A.R., from the Arizona State Legislature website, at [www.az.gov](http://www.az.gov) for all statutory and administrative rule references in this Testimony. No attorney or attorneys provided such advice. This is the response to Citizens Data Request 1.06.

<sup>41</sup> Response to Citizens Data Request No. 1.01

Exhibit B

Electricity Price Indexes

These values are from the "Electricity Price Indexes" published daily in the *Wall Street Journal*. Figures represent weighted average prices of electricity traded at the indicated hubs. All indexes quoted in dollars per megawatt hour; volumes are in megawatt hours.

- Firm:** Electricity that meets the minimum criteria of being Financially Firm and backed by liquidating damages.
- Non-Firm:** Electricity subject to interruption at any time.
- On Peak:** 16-hour period of heavy demand.
- Off Peak:** Eight-hour period of light demand.
- Na:** One-day lag for non-firm, not available for others.

**Table 1 – The Dow Jones California- Oregon and Nevada- Oregon (DJ COB) Borders Data**

(available data)

Date (2002)		FIRM DJ COB				NON-FIRM DJ COB				Mirant FIRM (from day ahead)		
		On Peak	Vol.	Off Peak	Vol.	On Peak	Vol.	Off Peak	Vol.	Nation-al	East	West
08/02	F	22.62	17184	16.47	10824	18.20	0	13.15	0	Na	Na	Na
08/03	§	22.08	13744	16.43	9984	16.00	216	13.15	0	Na	Na	Na
08/04	§	Na	Na	Na	Na	Na	Na	14.50	Na	Na	Na	Na
08/05	M	22.94	18944	18.02	8992	Na	Na	Na	Na	Na	Na	Na
08/06	T	20.45	16144	15.21	11552	16.50	0	12.50	0	28.97	31.07	21.14
08/07	W	21.61	24544	16.32	9912	17.50	0	13.00	0	Na	Na	Na
08/08	T	21.80	24784	16.59	8632	17.50	0	13.50	0	Na	Na	Na
08/09	F	22.33	21664	15.63	7832	16.90	0	12.70	0	Na	Na	Na
08/10	§	22.45	21152	15.61	7768	18.50	0	12.70	0	Na	Na	Na
08/11	§	Na	Na	Na	Na	Na	Na	15.00	0	Na	Na	Na
08/12	M	26.32	15664	18.83	7752	22.00	400	15.00	0	31.95	34.21	24.35
08/13	T	28.66	15984	19.68	6632	23.22	286	15.75	0	36.34	39.43	27.14
08/14	W	27.92	18496	19.59	7552	20.28	859	17.00	125	39.19	42.76	27.22
08/15	T	28.61	15744	20.02	7392	23.25	1600	16.50	0	38.23	40.97	27.58
08/16	F	25.82	13024	18.48	5592	20.65	0	15.00	0	34.80	37.86	24.18
08/17	§	25.79	12240	18.44	5000	20.65	0	15.00	0	Na	Na	Na
08/18	§	Na	Na	Na	Na	Na	Na	17.60	0	Na	Na	Na
08/19	M	25.93	13264	22.00	5392	20.75	0	17.60	0	29.39	30.09	25.63
08/20	T	21.83	14864	16.84	6800	17.50	0	13.50	0	26.56	27.18	22.23
08/21	W	21.47	18256	15.99	7192	17.18	0	13.80	0	28.78	30.49	21.17
08/22	T	20.65	22064	14.69	6832	16.50	0	11.75	0	32.00	34.93	20.94
08/23	F	24.62	14384	15.76	7312	19.70	0	12.61	0	33.04	36.01	22.68
08/24	§	24.59	13986	15.75	7040	19.70	0	12.61	0	Na	Na	Na
08/25	§	Na	Na	Na	Na	Na	Na	17.50	Na	Na	Na	Na
08/26	M	29.27	20048	21.90	8152	24.00	0	24.00	0	29.63	29.98	26.51
08/27	T	27.50	16560	19.15	5984	Na	Na	Na	Na	30.07	30.67	26.01
08/28	W	Na	Na	Na	Na	Na	Na	Na	Na	30.10	30.48	25.99
No data												
09/14	§	31.16	10560	23.58	3800	20.00	40	20.00	150	Na	Na	Na
09/15	§	Na	Na	Na	Na	Na	Na	21.50	Na	Na	Na	Na
09/16	M	31.66	8640	26.87	3328	25.50	0	21.50	0	Na	Na	Na
09/17	F	32.32	8400	22.73	5000	26.00	0	19.00	0	Na	Na	Na
09/18	W	30.76	10496	21.53	5528	24.60	0	17.20	0	31.44	31.56	29.97
09/19	T	31.31	16464	21.64	6400	25.00	0	17.50	0	33.89	34.68	30.38
09/20	F	29.97	15920	21.54	6328	24.00	0	17.60	0	34.67	36.28	28.63

Date (2002)		FIRM DJ COB				NON-FIRM DJ COB				Mirant FIRM (from day ahead)		
		On Peak	Vol.	Off Peak	Vol.	On Peak	Vol.	Off Peak	Vol.	Nation-al	East	West
09/21	ε	29.83	16363	22.35	7128	24.00	0	17.60	0	Na	Na	Na
09/22	ε	Na	Na	Na	Na	Na	Na	21.30	0	Na	Na	Na
09/23	M	32.16	13616	26.65	6800	Na	Na	Na	Na	33.86	34.73	30.77
09/24	T	32.72	19920	23.69	6360	33.00	175	19.00	0	31.50	30.93	32.07
09/25	W	32.65	14176	24.44	5600	32.00	347	19.60	0	Na	Na	Na
09/26	T	30.71	19808	24.62	6480	24.60	0	19.70	0	28.04	26.95	30.35
09/27	F	29.47	12336	25.08	3800	23.60	0	20.00	0	Na	Na	Na
09/28	ε	29.50	11936	25.03	3600	23.60	0	20.00	0	Na	Na	Na
09/29	ε	Na	Na	Na	Na	Na	0	20.35	0	Na	Na	Na
09/30	M	28.49	10000	25.42	3600	22.80	0	20.35	0	32.37	33.14	28.92
10/01	T	28.79	14320	22.33	5000	23.00	0	17.85	0	37.98	40.54	28.60
10/02	W	30.44	12960	23.31	2600	24.35	0	18.65	0	39.94	42.42	30.44
10/03	T	30.66	11200	22.80	2200	24.50	0	18.25	0	37.61	38.86	30.80
10/04	F	29.38	11760	20.75	2400	Na	Na	Na	0	Na	Na	Na
10/05	ε	29.38	11760	29.75	2400	23.50	0	16.60	0	Na	Na	Na
10/06	ε	Na	Na	Na	Na	Na	Na	20.00	0	Na	Na	Na
10/07	M	30.74	13360	25.01	3400	Na	Na	20.80	0	31.78	31.90	30.34
10/08	T	31.31	19920	21.60	2920	25.05	0	17.30	0	29.93	28.85	31.17
10/09	W	30.76	14080	20.87	4480	29.50	560	16.70	0	Na	Na	Na
10/10	T	30.55	20160	21.23	5800	24.40	0	17.00	0	Na	Na	Na
10/11	F	30.91	12640	22.07	2880	24.70	0	17.70	0	Na	Na	Na
10/12	ε	30.91	12640	22.07	2880	24.70	0	17.70	0	Na	Na	Na
10/13	ε	Na	Na	Na	Na	Na	Na	20.80	0	Na	Na	Na
10/14	M	31.56	14480	25.19	1600	25.25	0	20.15	0	26.76	24.71	31.11
10/15	T	32.99	13040	25.27	2200	26.40	0	20.20	0	Na	Na	Na
10/16	W	36.15	6640	26.63	2000	29.00	0	21.30	0	30.13	27.72	36.12
10/17	T	34.28	5232	24.62	1832	27.40	0	19.70	0	32.23	31.42	34.44
10/18	F	31.96	5760	22.06	1880	Na	Na	Na	Na	30.95	30.74	32.30
10/19	ε	31.96	5760	22.06	1880	25.60	0	17.65	0	Na	Na	Na
10/20	ε	Na	Na	Na	Na	Na	Na	21.00	0	Na	Na	Na
10/21	M	33.61	13126	26.25	2000	26.90	0	21.00	0	30.56	29.31	33.56
10/22	T	36.64	8800	24.59	1680	29.30	0	19.70	0	Na	Na	Na
10/23	W	36.64	8800	24.59	1680	29.30	0	19.70	0	30.65	28.30	36.82
10/24	T	36.64	8800	24.59	1680	Na	Na	Na	Na	31.01	31.61	36.82
10/25	F	Na	Na	Na	Na	Na	Na	Na	Na	32.89	32.13	34.56
No data												
10/29	T	40.14	13408	28.76	1680	32.10	0	23.00	0	Na	Na	Na
10/30	W	41.68	12960	31.24	3080	33.35	0	25.00	0	Na	Na	Na
10/31	T	44.30	9760	37.40	3000	35.44	0	29.92	0	Na	Na	Na
11/01	F	45.58	9440	38.88	800	Na	Na	Na	Na	Na	Na	Na
11/03	ε	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
11/04	ε	Na	Na	Na	Na	Na	Na	Na	Na	32.54	29.03	43.31

Color Scale for Dollars per MW:

<	\$15.01 -	\$20.00 -	\$25.00 -	\$30.00 -	\$35.00 -	\$40.00 -	>
\$15.00	\$19.99	\$24.99	\$29.99	\$34.99	\$39.99	\$44.99	\$45.00

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**Service List**

**ORIGINAL and 10 COPIES of the foregoing filed this 8<sup>th</sup> day of November 2002, with:**

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

**COPIES of the foregoing mailed this 8<sup>th</sup> day of November 2002 to:**

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