ORIGINAL

RECEIVED

1999 JUN 28 P 4: 51

AZ CORP COMMISSION
DOCUMENT CONTROL

0000119621

..C.

ATTORNEYS AT LAW
A PROFESSIONAL LIMITED LIABILITY COMPANY
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900
FAX (520) 747-1550

JOHN F. MUNGER
MARK E. CHADWICK
MICHAEL S. GREEN
KATHLEEN DELANEY WINGER
KEVIN R. HARPER

MICHAEL M. RACY
GOVERNMENT RELATIONS DIRECTOR
(NON-LAWYER)
DIRECT LINE: (520) 906-4646

PHOENIX APPOINTMENT ADDRESS:
5225 N. CENTRAL
SUITE 235
PHOENIX, ARIZONA 85012-1452
(602) 230-1850

OF COUNSEL
LAWRENCE V. ROBERTSON, JR.
ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLUMBIA

OF COUNSEL
MILLER, LA SOTA AND PETERS, P.L.C.
PHOENIX, ARIZONA

OF COUNSEL
OGARRIO Y DIAZ ABOGADOS
MEXICO, D.F., MEXICO
(LICENSED SOLELY IN MEXICO)

Arizona Corporation Commission
DOCKETED

JUN 28 1999

DOCKETED BY | nw

June 28, 1999

Ms. Nancy Kole
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: In The Matter Of The Application Of Arizona Public Service Company For Approval Of Its Plan For Stranded Cost Recovery (Docket No. E-01345A-98-0473)

In The Matter Of Filing Of Arizona Public Service Company Of Unbundled Tariffs Pursuant To A.A.C. R14-2-1601 ET SEQ. (Docket No. E-01345A-97-0773)

In The Matter Of Competition In The Provision Of Electric Services Throughout The State Of Arizona (Docket No. RE-00000C-94-0165)

Dear Ms. Kole:

Pursuant to the May 25, 1999 and June 23, 1999 Procedural Orders issued in the above-referenced proceedings, enclosed for filing are the original and eleven (11) copies of the prepared direct testimony of Douglas A. Oglesby, Vice President and General Counsel of PG&E Energy Services Corporation. Please return a conformed copy to my office in the enclosed self-addressed envelope.

Also enclosed is a list of subject areas addressed in Mr. Oglesby's testimony. Mr. Oglesby will be the only witness appearing for PG&E Energy Services in these proceedings.

PG&E Energy Services has been granted Intervenor status in the aforesaid proceedings.

Very truly yours,

Lawrence V. Robertson, Jr.

Lawrence V. Robertson, Jr.

cc: Jerry Rudibaugh, Chief Hearing Officer
Paul Bullis, Chief Counsel, Legal Division
Ray T.Williamson, Acting Director, Utilities Division
Hearing Division Mailing List

F:\WORK\LARRY\PG&E\Nancy Kole letter 0623.wpd

DOUGLAS A. OGLESBY
SUMMARY LIST OF TESTIMONY SUBJECT AREAS

1. Proposed transfer of competitive assets, bases for valuation, and timing;

2. Definition of "competitive services assets," identification of such assets, and manner of financing acquisition;

3. Calculation and recovery of stranded costs, including use of tracking account;

4. Effect of proposed rate reductions on competition;

5. Advance one-year notification requirement for customer switch-back;

6. APS electricity purchases from a generation affiliate;

7. Methodology for design and development of APS's distribution rate.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

BEFORE THE

ARIZONA CORPORATION COMMISSION

DOCKET NOS. E-01345A-98-0473

E-01345A-97-0773

RE-00000C-94-0165

TESTIMONY OF DOUGLAS A. OGLESBY
Vice President and General Counsel

On Behalf of

PG&E ENERGY SERVICES CORPORATION

June 9, 1999

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

PREPARED TESTIMONY

OF DOUGLAS A. OGLESBY

Q. 1. Please state your name, address, professional background and experience, and whom you are representing?

A. 1. My name is Douglas A. Oglesby, 345 California Street, Suite 3200, San Francisco, California. I am Vice President and General Counsel for PG&E Energy Services Corporation ("Energy Services") and am representing it in these proceedings. My background and experience are set forth in Attachment DAO-1. Energy Services affiliate, PG&E Generating Company, also supports the positions set forth in this testimony.

Q. 2. Please summarize your testimony.

A. 2. First, any transfer of competitive service assets (including non-nuclear generation) to one or more of APS's affiliates should be based upon the market value of such assets, not depreciated book value. In that regard, we also believe fair market value should be determined through an auction or an independent, Commission-approved appraisal.

Second, we believe the Commission should require APS to provide more detailed information as to (i) what constitutes "competitive service assets" for purposes of Article III and the Settlement Agreement as a whole, (ii) what specific "competitive services assets" are subject to the prospect of transfer to an affiliate, and (iii) how such affiliate(s) would pay for such assets.

Third, we believe a tracking account should be established in connection with APS's

Recovery of Stranded Costs, rather than a CTC which remains in effect until December 31, 2004.

Fourth, for the reasons indicated, we believe that the proposed rate reductions may have the effect of deterring competition, thereby ironically depriving customers of that option of meaningful choice that both the Commission and the Arizona Legislature have intended.

Fifth, we believe that the proposed one-year advance notification requirement for customers with a load of 3MW or greater is unwarranted in fact, and anti-competitive in its effect - which we suspect is precisely what APS intends.

Sixth, we believe the framework for sales of electricity to APS from a generating affiliate is too vague for purposes of determining what constitutes a "market price." In addition, as long as APS continues to perform a regulated procurement function, its power procurement must be subject to prudence review by the Commission.

Seventh, we believe the Commission should require APS to use a cost-causation approach in developing its distribution rate, thereby specifically identifying and recovering as a "wires only" rate only those costs relevant to distribution service. The credit approach under the Settlement Agreement will permit APS to recover from direct access customers certain non-commodity costs of retail electric service it is no longer incurring, effectively requiring direct access customers to subsidize APS and to pay twice for these costs.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Q. 3. Who is Energy Services and what is the nature of its business activities?

A. 3. Energy Services is a competitive business unit of PG&E Corporation, a large diversified energy holding company headquartered in San Francisco. Energy Services sells gas and electric commodities and a wide range of other energy-related products and services nationwide, including in Arizona, where it has had an active sales office for about four years. Energy Services's activities are not regulated by the California Public Utilities Commission ("CPUC") or any other state commission, and it is structurally, organizationally, functionally, operationally, and financially fully separate from its utility affiliate Pacific Gas and Electric Company.

Q. 4. Has Energy Services previously participated in proceedings before the Commission involving restructuring of the electric utility industry in Arizona?

A. 4. Yes. Energy Services has actively participated in this Commission's retail electric competition proceedings since it issued the initial rules in December-1996 and has attended and submitted comments in several of the Commission-established working groups, including the three subcommittees on stranded costs. I have personally testified before this Commission in its proceedings on stranded costs and in support of Energy Services application for a Certificate of Convenience and Necessity (CC&N) as an Electric Service Provider. Energy Services received the first statewide CC&N issued by this Commission for competitive energy services in late 1998.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Q. 5. Are you concerned with the proposed basis for valuation of the assets to be transferred to APS's unregulated affiliates?

A. 5. Yes, I am. APS is proposing to transfer its generation and certain other (unspecified) competitive services assets to its affiliate(s) at depreciated book rather than at fair market value. Under traditional transfer pricing principles, the appropriate transfer price for such assets must be the higher of depreciated book cost or fair market value. APS should be required to transfer its competitive assets to its affiliate(s) at the higher of depreciated book or fair market value[1]. All recent sales of utility non-nuclear generation assets of which I am aware have resulted in sale prices well in excess of the depreciated book value of the assets, often several times higher. On such occasions, the utilities have been able to credit to their ratepayers the premium over book value, enabling them to buy down their stranded costs. APS's ratepayers will be subsidizing APS shareholders if these assets are transferred to APS's unregulated affiliate(s) at below-market value.

Q. 6. Do you know what value Tucson Electric Power (TEP) will use to transfer generation assets to its affiliate?

A. 6. Yes, I do. Tucson Electric Power's proposed settlement recently filed with this Commission provides that TEP will transfer its generation and other assets deemed to be

[1] One of the generation assets APS proposes to transfer is Palo Verde Nuclear Generating Station. It is certainly possible, if not probable, that Palo Verde, as a nuclear plant, may not obtain a sale price in excess of its depreciated book value. In that case, the transfer of this asset should be at depreciated book value, consistent with the principle that asset transfers from a utility to its affiliate must be at the higher of book value or fair market value.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

competitive to a subsidiary at fair market value. We believe that is the appropriate basis for valuation.

Q.7. What impact do transfers of assets to competitive affiliates have on competitive markets?

A.7. In this particular situation there are two aspects to the proposed transfer of assets which need to be considered, and each would have a profound effect on competition in the retail electric market in Arizona. First, according to the RDI Powerdat database, APS currently owns approximately 38% of all the summer capacity in the WSCC's Arizona - New Mexico power area. If an APS affiliate receives all of APS's generation, the affiliate will immediately acquire a commanding position in the market, providing it with the ability to dominate unfairly the retail market through strategic pricing. This is because unaffiliated competitors must build or acquire their own competitive assets at fair market value, and recover the costs of those assets from the revenues generated as a result of the sales of their services or output at market prices. If APS's affiliates have incurred lower costs by obtaining assets at below-market prices, as has been proposed, they will be able to sell their products and services at a lower price than will unaffiliated competitors. This will result in the affiliates having a huge competitive advantage since the sale of electric commodity is notoriously low-margin.

The term competitive assets includes both generation and infrastructure such as customer information systems, billing, metering, and so on. Even if APS's power plants were

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

excluded from the transfer, transferring the remaining infrastructure at the lower of depreciated book or fair market value still provides the affiliate an unfair advantage. The transfer of assets to competitive affiliates at below-market prices is also unfair to regulated ratepayers of APS because they will not be credited with the full value of the assets that could be realized in the marketplace, and will pay more in stranded costs than they should. The result is that APS's ratepayers will subsidize APS's competitive activities.

Therefore, transfers of assets to competitive affiliates at below-market prices will adversely impact APS's ratepayers and competition. Only APS's shareholders will benefit from such transfer, since they will receive the benefit of the unfair competitive advantage enjoyed by APS's unregulated affiliates.

Q. 8. Do you have any other concerns about APS's proposed transfer of assets to its unregulated affiliates?

A. 8. Yes, I do. APS's settlement proposal is quite vague in providing a detailed accounting of the assets to be transferred to its unregulated affiliate(s), what their value is and how the affiliates will pay for these assets. Article 4.2 of the settlement grants APS or its parent the right to create new corporate affiliates to provide competitive services, including generation sales and power marketing. It also grants APS the right to transfer generation and competitive services assets to these affiliates. To assess fully the implications of APS's settlement proposal, we need a much more detailed definition of what is being

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

transferred to APS's affiliates. Exhibit C provides only a cursory list of the possible generation assets that might be transferred to its affiliate. The settlement refers to the transfer of competitive services assets, but does not adequately define these assets, nor does Exhibit C provide a list of the competitive assets APS intends to transfer to its affiliate(s).

The Commission should require APS to provide a detailed accounting, schedule and method for determining the market value of these assets to permit this settlement to be analyzed. The determination of an asset's fair market value should be accomplished through either an auction or an independent, Commission-approved appraisal process. APS's settlement is silent on these critical matters.

Q.9. Do you see any problem with APS's request that it be granted until December 31, 2002 to complete the transfer of its competitive services assets to its competitive affiliates?

A.9. APA doesn't say whether it wants to engage in unregulated competitive activities prior to the separation of theses assets and, if so, how it will carry out those activities. Energy Services is strongly opposed to APS's conducting any competitive activities out of the utility. Instead, we urge that all competitive activities must be carried out by affiliates that are structurally, organizationally, functionally, operationally and financially separate from the utility, and that the utility be permitted to carry out only regulated, tariffed activities. Energy Services recommends that this Commission approve APS's request for an extension of the time to separate these assets only on the condition that APS be prohibited from engaging in any competitive activities through the utility structure.

Q.10. What problems do you see with the proposed method of dealing with Stranded Costs?

A.10. Under the terms of the settlement APS shall have the opportunity to collect stranded costs through a competitive transition charge (CTC). Such CTC shall remain in effect until December 31, 2004. At that time an adjustment will be made to reflect any excess recovery/under recovery. A more desirable method is the use of a tracking account. By using a tracking account, cost recovery can be tracked and the recovery period would end once stranded costs are fully recovered. If this Commission requires that all asset transfers must be priced at fair market value, it is likely that stranded costs would be recovered prior to 2004. I say this because I assume that APS would not knowingly set a termination date that would result in a significant under-recovery of stranded costs. Since I believe asset transfers should be priced at fair market value, revenues in excess of book would be credited to reducing stranded costs, resulting in a termination date earlier than that proposed by APS. In a competitive marketplace it is important that CTC collection end as soon as possible. There is no reason to have an artificial, administratively determined end date when it is quite easy to set up a tracking mechanism that would identify quickly when stranded costs are fully recovered.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Q. 11. Do you believe this settlement will foster competition in APS's service territory?

A. 11. No, I do not. There are several other aspects of this settlement that will in fact hinder competition.

Q. 12. What are these aspects?

A. 12. There are at least four. These are (i) APS's proposed rate reductions; (ii) the proposed one-year notice for returning large customers; (iii) electricity sales to APS by its generating affiliate(s), and (iv) inadequate crediting of the non-commodity costs of retail energy services.

Q. 13. What will be the effect of the proposed rate reduction on competition?

A. 13. Ironically, the effect of the rate reductions proposed by the settlement will be to deter competition. The primary reason customers switch to competitive providers is to receive lower prices than they can receive from their incumbent utility. If APS is able to provide these rate reductions, Energy Service Providers (ESPs) will be required to lower their prices even more in order to induce customers to switch from APS to a competitive provider. The rate discount, which according to the settlement applies solely (i.e. 100%) to the Standard Offer (contestable) rate component, makes it that much more difficult for ESPs to offer a lower price than APS. This is because ESPs must recover in their price the full costs of retail services and customer care, not merely the commodity cost, as well as a profit. If ESPs are unable to beat the prices charged by APS, which will more than likely be the case given the proposed rate reductions, customers will not switch. If customers do not switch, APS benefits as the provider of last resort, competition will not develop, and customers will be deprived of meaningful choice. As a consequence, APS will not have to face the discipline of competitive markets.

There are two important differences between APS and a competitive ESP which make these reductions particularly anti-competitive. First, even if APS's assets are transferred to its affiliate(s), there is no assurance that the affiliate, having received the assets at a below-market cost, will not provide preferential pricing to APS. Second, APS prices are set by tariffs, not contracts, and if APS is not able to get preferential pricing it can avoid dire financial consequences by seeking to raise rates (settlement Article 2.8). Any ESP that has met APS's discounts would likely be prevented from raising its prices under the provisions of its customer contracts.

Q.14. What will be the effect of the one-year advance notice proposed by APS?

A.14. The settlement provides that customers greater than 3MW who choose a direct access supplier must give APS one year's advance notice before returning to Standard Offer services. We oppose this notice requirement. Energy Services strongly advocates that the incumbent utility should fully exit the procurement function for larger commercial, industrial and institutional customers, including as a default provider. This is necessary to neutralize the inherent advantages enjoyed by the entrenched incumbent utility. APS, however, does not propose to do this; instead, APS fully intends to compete as a regulated utility with ESPs. For that reason, this proposal is anti-competitive because it

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

will act as a deterrent to switching. This is exacerbated by the rate reductions promised to customers.

A customer who is offered a price from an ESP that is only marginally lower than APS's (if an ESP is even able initially to offer a lower price at all), knowing that it must give at least a year's notice to return to regulated service, has little incentive to switch. Stated simply, the rate reductions and the one-year notice requirement each impose significant barriers to customer switching. The combination will surely further entrench APS as the monopoly provider. Over time, customers will suffer because competition will not develop and APS will not have to offer competitive pricing. Customers will not have choice, and will not benefit from the innovativenesss spurred by competition.

Moreover, there is no reason why APS requires a year's notice from returning customers. We agree that APS should not be at risk for higher power procurement costs imposed by returning customers. But the solution is not to impose a notice requirement. It is instead to flow the costs of power supply directly through to the returning customer. If large customers returning to APS with little or no notice impose higher purchase power costs on APS than APS would incur if it had reasonable notice (which would have enabled APS to plan for such return with longer term, lower cost power purchase arrangements), those higher costs should be flowed directly through to the returning customers. It is appropriate that the customer experience the full impacts of its choices in a competitive market. Its choice to return to the utility should be influenced by the economic

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

consequences of that decision. Where there is no cost exposure to APS, there is no reason to impose an artificial notice requirement, particularly where such a requirement will deter switching in the first instance. APS's ability to flow those costs directly through to provider-of-last-resort customers eliminates the need for customers to provide APS any advance notice of their intent to return.

Q.15. What are the problems presented by the proposed framework for APS's purchase of electricity from its generating affiliate?

A.15. The settlement calls for any electric energy APS purchases from its generating affiliate (referred to as the EWG Affiliate) to be at market prices. However, the settlement also states that its approval by this Commission will constitute pre-approval of all power purchase transactions by APS from its generating affiliate. There would be no prudency review to protect APS's regulated ratepayers and to guard against cross-subsidies. This provision is unacceptable because it will eliminate all Commission oversight of power purchase transactions between APS and its generating affiliate.

Electric power can be traded under a wide variety of contract terms, both on the spot market and for long terms, and with many different degrees of shaping or optionality. Only some of the contract structures correspond to deep, liquid markets (such as the monthly unshaped Palo Verde market). Therefore it will be simple to frustrate the intent of these terms by trading under contract structures for which the market is difficult to determine.

Competition will be impaired regardless of whether APS pays too little (i.e. under-market) or too much (i.e. over-market). If APS pays under-market, APS's regulated customers will enjoy the benefits of APS's below-market acquisition of power, but they also will have little reason to switch. And ESPs will find it very difficult to compete. On the other hand, if APS pays too much, its regulated supply customers will pay higher costs and will therefore subsidize APS's competitive affiliate, giving it an unfair competitive advantage. If that affiliate is also an ESP, any of APS's regulated customers which are incented to switch to avoid those higher costs are likely to simply migrate over to the affiliate because of the cost advantage it would enjoy as a result of the preferential power sale. However, if APS cannot achieve a migration of its regulated customers to its affiliate ESP through an above-market purchase of power, there is little likelihood that APS will transact an above-market purchase with its generating affiliate. Indeed, APS would be incented to purchase at below market prices because of its plan to transfer its generating assets to its affiliates at below-market value. This preferential transfer of generating assets will enable APS to buy-back power at below market costs, which translates into lower power supply costs to its customers. This will allow APS to impose a substantial barrier to switching.

Further, these purchases, through this settlement, will be pre-determined to be just and reasonable. The ACC will give up its right to examine the prudency of those transactions at or near the time of their occurrence. This is inappropriate and an abdication of this

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Commission's regulatory responsibilities. It is essential that so long as APS is serving a regulated procurement function, such as provider of last resort (POLR), its power procurement must be subject to prudence review. The potential for abuse is simply too high. An inaccurate purchase price will adversely impact the competitive power supply market.

Q.16. What is the problem you see with credits for the non-commodity costs of retail energy service?

A.16. We are very concerned that APS is not crediting the full costs of retail services that it is no longer providing to direct access customers, and is instead inappropriately recovering these costs in its distribution rates. For example, APS proposes a billing credit of only 30 cents less than the cost of a first class stamp when an ESP provides consolidated billing. This credit is unlikely to represent even the decremental cost of the bill not sent (which necessarily must be greater than the cost of first class postage), much less the fully allocated cost of the billing and collection infrastructure.

The distribution rate for direct access service should be lower than the corresponding components of the bundled retail rate because APS will no longer be incurring certain non-commodity costs of retail electric service. These non-commodity retail service costs include, for example, (i) the risks of managing and serving retail load, (ii) costs of shaping and following retail load, and (iii) various customer care costs, such as load forecasting/profiling, office overheads, customer services, metering, billing and

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

collection, bad debts, sales and marketing. Although these are undeniable costs of retail electric service, under traditional rate design and regulation they have not been recovered in the commodity portion of the regulated bundled rate. Instead, these non-commodity costs of retail service are typically buried in the distribution function, and recovered in the distribution portion of the bundled rate. For example, if the retail energy credit is based only on visible wholesale price signals and ignores other cost components of retail electric supply, the generation credit will be too low. The settlement will permit APS to recover these costs in its distribution rates, which will be paid by all customers, both standard offer and direct access.

Direct access customers, however, will pay for these retail services twice, once to APS in the distribution rate and again to the ESP. This is because the ESP, which must build and administer its own customer care function, in all likelihood, will be unable to price its energy services at a price low enough to induce customers to switch from APS yet still recover its costs of retail customer services and make a profit. As a consequence, we urge the Commission to require APS to use a cost-causation approach in developing its distribution rate, under which APS would identify specifically only those cost components relevant to distribution service and create a pure wires-only rate. This way, APS would charge only for services actually provided to customers and ESPs, and would not charge i.e. credit for services avoided. Energy Services supports recovery in the transition charge of any legitimate, verifiable and non-mitigable stranded retail service costs.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Q. 17. Does this conclude your testimony?

A.17. Yes.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Attachment DAO-1

QUALIFICATIONS OF DOUGLAS A. OGLESBY

DOUGLAS A. OGLESBY
Vice President and General Counsel
PG&E Energy Services

As chief legal officer, Mr. Oglesby is responsible for all the Company's legal matters. He is also responsible for the Company's governmental and regulatory affairs, including the advocacy of energy policy issues, particularly legislative and regulatory policies concerning industry restructuring. He is a member of the Company's Executive Committee.

Mr. Oglesby has over 20 years of legal experience in energy law and the utility industry. Mr. Oglesby came to PG&E Energy Services from a major international law firm where he was a partner in the firm's energy practice group. As a member of the firm, he represented large energy consumers, domestic and international independent power developers, power marketers and utilities on a wide range of energy issues.

Prior to private practice, Mr. Oglesby was an attorney in the law department of Pacific Gas and Electric Company, where for many years he served as Chief Counsel of the utility's Electric Supply Business Unit. As Chief Counsel he was the principal legal advisor to the Business Unit's general manager and to the utility's senior management on electric supply matters, and was responsible for all legal services required by the Business Unit, principally relating to electric resource planning, industry structure and restructuring, power plant fuel supply, bulk power, utility interchange, transmission and non-utility power transactions and associated pricing and rate issues.

Mr. Oglesby's practice has focused primarily on energy transactional matters, including complex energy alliance agreements, energy services and management agreements, power supply contracts and transmission arrangements, and on issues related to electric industry restructuring. He has practiced extensively before the Federal Energy Regulatory Commission, the California Public Utilities Commission, the California Energy Commission, and other state and federal agencies on a wide range of energy-related issues, including utility rates. He has counseled extensively on removing barriers to transactions between energy consumers and suppliers. For the last several years he has been actively involved in industry structure legislative and regulatory policy issues, including advocacy at both the state and federal levels on important energy services restructuring and competitive energy market issues, and has testified at various state regulatory and legislative hearings. Among other accomplishments, Mr. Oglesby personally participated in the development of the 1992 National Energy Policy Act and helped shape that Act's provisions relating to independent power development and electric transmission. He has participated in numerous conferences and seminars as a speaker and panelist on energy policy issues.

Mr. Oglesby obtained his law degree with highest honors from Boalt Hall School of Law, University of California, Berkeley and his B.S. from Oregon State University, Corvallis, Oregon, in General Science. He is also a graduate of the Harvard Business School Program for Management Development.

C:\WORK\LARRY\PG&E\APSSettleTest2c

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Copies of the foregoing mailed this 27th day of June, 1999 to:

Margaret McConnell
Maricopa Community Colleges
2411 West 14th Street
Tempe, Arizona 85281-6942

Timothy M. Hogan
AZ Center for Law in the Public Interest
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004
Attorney for Arizona Conumers Council

C. Webb Crockett
FENNEMORE CRAIG
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
Attorneys for ASARCO, Cyprus Climax, and AECC

Leslie Lawner
Enron, Inc.
712 North Lea
Roswell, New Mexico 88201

Christopher Hitchcock
HITCHCOCK, HICKS & CONLOGUE
P.O. Drawer 87
Bisbee, Arizona 85603
Attorneys for SSVEC

Bradley S. Carroll
TEP-Legal Dept.-DB203
P.O. Box 711
Tucson, Arizona 85702

Chuck Miessner
NEV Southwest, LLC
5151 East Broadway, Suite 1000
Tucson, Arizona 85711

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Raymond S. Heyman
ROSHKA, HEYMAN & DeWULF
400 North 5th Street, Suite 1000
Phoenix, Arizona 85004
Attorneys for NEV Southwest, LLC

Michael A. Curtis
Paul R. Michaud
MARTINEZ & CURTIS PC
2712 North 7th Street
Phoenix, Arizona 85006-1090
Attorneys for Navopache Electric & Mohave Electric

Lex Smith
Michael Patten
BROWN & BAIN, PA
P.O. Box 400
Phoenix, Arizona 85001-0400
Attorneys for Sempra Energy Trading Corp.

Jesse W. Sears
CITY OF PHOENIX
200 West Washington, #1300
Phoenix, Arizona 85003-1611

Bill Murphy, P.E.
CITY OF PHOENIX
101 South Central Avenue
Phoenix, Arizona 85004

Robert S. Lynch
Attorney at Law
340 East Palm Lane, Suite 140
Phoenix, Arizona 85004-4529
Attorney for AZ Transmission Dependent Utility Group

K.R. Saline
K.R. Saline & Associates
160 North Pasadena, Suite 101
Mesa, Arizona 85201-6764

Douglas C. Nelson
7000 North 16th Street, #120-307
Phoenix, Arizona 85020
Attorney for Commonwealth Energy Corp.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Walter W. Meek
ARIZONA UTILITY INVESTORS ASSOCIATION
2100 North Central Avenue, Suite 210
Phoenix, Arizona 85004

Betty K. Pruitt
ACAA
2627 North 3rd Street, Suite 2
Phoenix, Arizona 85004

Greg Patterson
RUCO
2828 North Central Avenue, Suite 1200
Phoenix, Arizona 85004

Barbara Klemstine
APS
Mail Station 9909
P.O. Box 53999
Phoenix, Arizona 85072-3999

Paul Bullis, Chief Counsel
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

F:\WORK\LARRY\PG&E\Hearing officer mailing list.wpd