

ORIGINAL

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Enron Power Marketing, Inc.	)	Docket No. EL03-180-000
and Enron Energy Services Inc.)	
Aquila, Inc.	)	Docket No. EL03-181-000
City of Glendale, California	)	Docket No. EL03-182-000
City of Redding, California	)	Docket No. EL03-183-000
Colorado River Commission	)	Docket No. EL03-184-000
Constellation Power Source, Inc.	)	Docket No. EL03-185-000
Coral Power, LLC	)	Docket No. EL03-186-000
El Paso Merchant Energy, L.P.	)	Docket No. EL03-187-000
Eugene Water and Electric Board	)	Docket No. EL03-188-000
Idaho Power Company	)	Docket No. EL03-189-000
Koch Energy Trading, Inc.	)	Docket No. EL03-190-000
Las Vegas Cogeneration, L.P.	)	Docket No. EL03-191-000
MIECO	)	Docket No. EL03-192-000
Modesto Irrigation District	)	Docket No. EL03-193-000
Montana Power Company	)	Docket No. EL03-194-000
Morgan Stanley Capital Group	)	Docket No. EL03-195-000
Northern California Power Agency	)	Docket No. EL03-196-000
PacifiCorp	)	Docket No. EL03-197-000
PECO	)	Docket No. EL03-198-000
Powerex Corporation	)	Docket No. EL03-199-000
(f/k/a British Columbia Power Exchange Corp.))	
Public Service Company of New Mexico	)	Docket No. EL03-200-000
Sempra Energy Trading Corporation	)	Docket No. EL03-201-000
TransAlta Energy Marketing (U.S.) Inc. and TransAlta Energy Marketing (California), Inc.	)	Docket No. EL03-202-000
Valley Electric Association, Inc.	)	Docket No. EL03-203-000 (Consolidated)

TESTIMONY OF PAUL G. SCHEUERMAN
ON BEHALF OF THE
CITY OF GLENDALE, CALIFORNIA

FILED
OFFICE OF THE SECRETARY
03 SEP -2 PM 4:50
FEDERAL ENERGY
REGULATORY COMMISSION

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. Paul G. Scheuerman, 3915 Rawhide Road, Rocklin, CA 95677.

3

4 Q. ARE YOU THE SAME PAUL G. SCHEUERMAN WHO
5 PREVIOUSLY FILED INITIAL TESTIMONY IN WHAT HAS
6 BECOME KNOWN AS THE 100 DAYS EVIDENCE PROCEEDING,
7 ON BEHALF OF THE CITY OF BURBANK, CALIFORNIA
8 ("BURBANK"), CITY OF GLENDALE, CALIFORNIA
9 ("GLENDALE") AND TURLOCK IRRIGATION DISTRICT
10 ("TURLOCK")?

11 A. Yes, I submitted Initial Testimony on March 3, 2002 on behalf of
12 Glendale, Burbank and Turlock (Hundred Days Exhibits BGT-1), and
13 Reply Testimony on March 20, 2003 on behalf of Burbank and Turlock
14 (Hundred Days Exhibit BGT-20), and separately on behalf of Glendale
15 (Hundred Days Exhibit BGT-21) in the 100 Days Evidence proceeding.

16

17 Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS
18 AND YOUR PREVIOUS ENGAGEMENTS ON BEHALF OF THE
19 CITY OF GLENDALE, CALIFORNIA ("GLENDALE").

20 A. I have over 30 years of professional experience as an electrical engineer
21 working in the electric utility industry. I have worked with both investor
22 owned and publicly owned utilities. Prior to starting my own company,

1 Scheuerman Consulting, in 1999, I was employed by R. W. Beck Inc.,
2 working in its Sacramento office for over 19 years. Previous to that, I was
3 employed by the Delmarva Power and Light Company for twelve years.
4 My work experience includes areas such as developing and negotiating
5 interconnection and other agreements between utilities, power marketing,
6 resource feasibility analysis for both conventional and hydro projects,
7 system operations studies, load forecasting, and distribution, transmission
8 and interconnection planning. I am a graduate of Washington University,
9 St. Louis, Missouri, and have a Bachelor of Science degree in Electrical
10 Engineering. I am a registered professional engineer in the states of
11 California and Delaware.

12
13 I was engaged initially by Glendale to analyze certain issues and present
14 testimony based on my analysis in the refund proceedings arising out of
15 the failure of California's organized wholesale spot markets in 2000-2001
16 (Docket Nos. EL00-95-045, *et al.*). In preparation for presenting my
17 previously filed testimony, I became familiar with the facilities that make
18 up Glendale's system, as well as Glendale's operation of those facilities. I
19 am also familiar with Glendale's transactions in California Independent
20 System Operator ("CA ISO") spot markets, and throughout the Western
21 United States during the period January 1, 2000 through June 20, 2001

1 as the result of preparation of the testimony I filed in the 100 Days
2 proceeding.

3
4 I. OVERVIEW

5
6 Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY IN THIS
7 PROCEEDING.

8 A. In its June 25, 2003, Partnerships and Alliances Show Cause Order
9 (*Order to Show Cause Concerning Gaming and/or Anomalous Market*
10 *Behavior Through the Use of Partnerships, Alliances or Other*
11 *Arrangement and Directing Submission of Information*) in Enron Power
12 Marketing, Inc., et al., 103 FERC ¶ 61,346 (2003), the Commission
13 concludes (at P42):

14 Based on the analysis provided in the Staff Final Report
15 and the evidence described in the Staff Final Report, . . .
16 that Enron and the other entities with whom it had
17 partnership, alliance or other arrangements like those
18 described above appear to have jointly engaged in market
19 manipulation schemes that had profound adverse impacts
20 on market outcomes, and that violated the ISO and PX
21 tariffs. . . .
22

23 The Commission identifies Glendale as one of the "other entities" with
24 which Enron had "arrangements" (Partnership Order at P31 n.49).

25 Finally, the Commission draws an identical conclusion with respect to

1 Glendale's Power Marketing Services Agreement with Coral Power LLC
2 (Partnership Order at PP43-44).

3
4 The purpose of this testimony is to examine the analysis and evidence
5 presented in the Final Staff Report ("Final Report on Price Manipulation
6 in Western Markets" issued in Docket No. PA02-2-000 -- *Fact Finding*
7 *Investigation of Potential Manipulation of Electric and Natural Gas Prices*
8 on March 26, 2003), together with the evidence concerning the actual
9 operation of Glendale's business relationships with Enron and Coral, to
10 determine whether any of the allegations advanced by the Commission's
11 Staff (and by the California Parties) are factually supported.

12

13 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

14 **A. As I will describe in greater detail later in this testimony, Glendale is a**
15 **relatively well-resourced, vertically-integrated municipal utility. The**
16 **nature and characteristics of Glendale's mix of generation, transmission**
17 **and contractual resources are largely the result of Glendale's need for self-**
18 **sufficiency in the wholesale environment in which it operated prior to the**
19 **two great watershed restructuring events of 1996 -- the FERC's adoption**
20 **of Order No. 888, and the California Legislature's adoption of AB 1890,**
21 **California's utility industry restructuring initiative.**

22

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.