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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
 Application of Ohio Edison:
 Company, The Cleveland :
 Electric Illuminating :
 Company, and The Toledo :
 Edison Company for : Case Nos. 07-551-EL-AIR
 Authority to Increase : 07-552-EL-ATA
 Rates for Distribution : 07-553-EL-AAM
 Service, Modify Certain : 07-554-EL-UNC
 Accounting Practices, and :
 For Tariff Approvals. :

PROCEEDINGS

before Ms. Kimberly W. Bojko and Mr. Gregory Price,
 Hearing Examiners, at the Public Utilities Commission
 of Ohio, 180 East Broad Street, Room 11-C, Columbus,
 Ohio, called at 9:00 a.m. on Wednesday, January 30,
 2008.

VOLUME II

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22 Fair Utility Rates, and the Empowerment
23 Center of Greater Cleveland.

24 - - -

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1 Wednesday Morning Session,
2 January 30, 2008.
3 - - -

4 EXAMINER BOJKO: Let's go on the record.
5 Good morning. This is a continuation of Case No.
6 07-551-EL-AIR, 07-552, 07-553, and 07-554 being in
7 the Matter of the Application of Ohio Edison Company,
8 The Cleveland Electric Illuminating Company, and The
9 Toledo Edison Company for Authority to Increase Rates
10 for Distribution Service, Modify Certain Accounting
11 Practices, and for Tariff Approvals.

12 At this time we will take abbreviated
13 appearances to record who is in the room at the
14 beginning of today's hearing.

15 Start with the company.

16 MR. KORKOSZ: On behalf of the
17 applicants, Arthur E. Korkosz, and as well we have
18 Kathy Kolich, Ebony Miller, James Burk, Mark Hayden,
19 and Mark Whitt.

20 EXAMINER BOJKO: Staff.

21 MR. JONES: Your Honor, on behalf of the
22 staff of the Public Utilities Commission of Ohio,
23 John Jones, assistant attorney general.

24 MR. BREITSCHWERDT: Your Honor, on behalf

1 of the Ohio Schools Council, Brett Breitschwerdt.

2 MR. LAVANGA: Good morning, your Honor.
3 On behalf of Nucor Steel Marion, Incorporated,
4 Michael Lavanga.

5 MR. YURICK: Your Honor, Mark Yurick on
6 behalf of the City of Cleveland.

7 MR. K. BOEHM: Good morning, your Honor.
8 Kurt Boehm on behalf of OEG and Kroger.

9 MR. FROEHLE: Good morning, your Honor.
10 Tom Froehle, I'm here on behalf of the Ohio Home
11 Builders Association, and I believe Lisa McAlister
12 yesterday made note of an appearance for me.

13 EXAMINER BOJKO: She did.

14 MS. McALISTER: Your Honor, on behalf of
15 Industrial Energy Users-Ohio, Lisa McAlister and
16 Daniel J. Neilsen.

17 MR. SMALL: On behalf of the OCC, Jeffrey
18 Small and Richard Reese.

19 MR. HOWARD: Your Honor, on behalf of
20 Constellation NewEnergy and Integrlys, Stephen M.
21 Howard.

22 EXAMINER BOJKO: We have a couple
23 preliminary matters before we go on to the next
24 witness?

1 MR. KORKOSZ: If your Honor please,
2 yesterday we had discussed three witnesses for whom
3 the parties had indicated they had no cross, and it
4 was the companies' intention to move into evidence
5 the prefiled direct and other testimonies of those
6 witnesses, those would be Mr. Burgess, Mr. Swartz,
7 and Mr. Murray.

8 If it would be appropriate at this time,
9 with respect to Mr. Burgess, I would move the
10 admission of Company Exhibits 10, 10A, and 10B.

11 EXAMINER BOJKO: Is there any objection?

12 Upon hearing none, these testimony
13 Exhibits 10, 10A, and 10B will be admitted.

14 (EXHIBITS ADMITTED INTO EVIDENCE.)

15 MR. KORKOSZ: With respect to Mr. Swartz,
16 that would be Company Exhibits 11, 11A, and 11B, and
17 I would move those exhibits into evidence.

18 EXAMINER BOJKO: Any opposition?

19 Hearing none, Company Exhibits 11, 11A,
20 and 11B will be admitted.

21 (EXHIBITS ADMITTED INTO EVIDENCE.)

22 MR. KORKOSZ: And finally Mr. Murray's
23 testimony had been identified as Company Exhibit 2,
24 and I would move that into evidence.

1 EXAMINER BOJKO: Any opposition?
2 Hearing none, Company Exhibit 2 will be
3 admitted.
4 MR. KORKOSZ: Thank you.
5 (EXHIBIT ADMITTED INTO EVIDENCE.)
6 EXAMINER BOJKO: Thank you.
7 Would you like to call your next witness?
8 MS. MILLER: The companies call Kevin L.
9 Norris.
10 (Witness sworn.)
11 EXAMINER PRICE: Please be seated and
12 state your name and business address for the record.
13 THE WITNESS: My name is Kevin L. Norris,
14 my business address is 76 South Main Street, Akron,
15 Ohio 44308.
16 EXAMINER PRICE: Ms. Miller, please
17 proceed.
18 MS. MILLER: Your Honor, before I begin I
19 would like to mark for identification Direct
20 Testimony of Kevin L. Norris as Company Exhibit 15.
21 EXAMINER PRICE: So marked.
22 (EXHIBIT MARKED FOR IDENTIFICATION.)
23 MS. MILLER: I would also like to mark
24 Supplemental Testimony of Kevin L. Norris as Company

1 Exhibit 15B.

2 EXAMINER PRICE: So marked.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 - - -

5 KEVIN L. NORRIS

6 being first duly sworn, as prescribed by law, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 By Ms. Miller:

10 Q. Mr. Norris, do you have in front of you a
11 copy of your Direct Testimony previously just marked
12 as Company Exhibit 15?

13 A. I do.

14 Q. And is that your direct testimony for
15 this proceeding?

16 A. Yes, it is.

17 Q. And do you have before you also a copy of
18 Company Exhibit 15B?

19 A. I do.

20 Q. And is that your supplemental testimony
21 for this proceeding?

22 A. Yes, it is.

23 Q. Are there any additions or corrections to
24 that, any of those testimonies, 15 or 15B?

1 A. No, there are not.

2 Q. Okay. And if I were to ask you the same
3 questions today on both of those 15 and 15B, would
4 your answers be the same?

5 A. Yes, they would.

6 MS. MILLER: The witness is ready for
7 cross.

8 EXAMINER PRICE: Thank you.

9 OCC.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Reese:

13 Q. Good morning, Mr. Norris, I'm Rick Reese
14 with the Office of the Ohio Consumers' Counsel. How
15 are you?

16 A. Good morning. Fine.

17 Q. Going to page 2 of your testimony, can
18 you tell me where FirstEnergy currently makes
19 available copies of its tariffs for the public?

20 A. This would be the Direct Testimony that
21 you're referring to?

22 Q. I'm sorry, Supplemental.

23 A. Supplemental.

24 Currently the company will make available

1 their tariffs on their internet site and they're also
2 available upon customer requests at the call centers.
3 If a customer wants a copy of their tariff, they'll
4 be made available that way.

5 Q. How would a customer be made aware of the
6 availability of the tariffs? What would prompt a
7 representative from the company to refer them to the
8 tariffs and provide a copy?

9 A. The obligation that we have I believe is
10 upon customer request we will make them available.
11 So anytime a customer makes a request, we will make
12 them available.

13 Q. Does FirstEnergy have a problem with
14 providing tariffs at more locations than the business
15 office of the company or on the internet?

16 A. As my testimony indicates, the company
17 has some concern about that in that the capability of
18 making sure those tariffs are accurate and up to date
19 might be in question. We would want the customer to
20 be sure and have the most current rate.

21 Q. And you're concerned that if these
22 tariffs were made available at the library, that they
23 might not be updated properly; is that it?

24 A. That's a possibility, yes.

1 Q. Do you know if your tariffs were
2 previously made available at the library?

3 A. I believe that the tariffs in the past
4 have been available in libraries and other public
5 institutes.

6 Q. And do you know why that practice ceased?

7 A. I would say it probably ceased -- well, I
8 should say I still assume some of the tariffs are
9 still available in those locations, but the fact that
10 the company has the internet and the call center
11 options where the tariffs are kept up to date,
12 probably less important that they be available in
13 these other locations.

14 Q. The tariffs that are perhaps still
15 available at the libraries, do you know if those are
16 being updated?

17 A. I do not.

18 Q. Do you think it's important for the
19 public to be informed of the availability of the
20 tariffs?

21 A. Yes, and I believe it's important that
22 they have access to accurate, up-to-date tariffs.

23 Q. Let's say the company is dealing with a
24 customer that doesn't have access to the internet and

1 they call with a question that can be answered by the
2 tariff, does the FE representative assist them in
3 guiding them to the right tariff that needs to be
4 provided?

5 A. Yes, if the customer would give the rep
6 enough information to know what type of service
7 they're on, the rep would most likely be able to
8 determine what rate that customer would be on and
9 provide a copy of that tariff.

10 Q. They would provide that by mail?

11 A. That's one of the options, yes.

12 Q. Or electrically, perhaps?

13 A. Yes.

14 Q. Let's go to page 7 of your testimony.

15 EXAMINER PRICE: One second, Mr. Reese.

16 Mr. Norris, have you surveyed the public
17 libraries in your service territories to see how many
18 offer internet access?

19 THE WITNESS: No.

20 EXAMINER PRICE: You have no idea?

21 THE WITNESS: No, I do not.

22 EXAMINER PRICE: Okay. Thank you.

23 EXAMINER BOJKO: I'm sorry, page 7 of

24 Direct?

1 MR. REESE: Page 7 of the Supplemental.

2 I'm sorry.

3 Q. (By Mr. Reese) Question and answer up at
4 the top of the page beginning at line 1 on page 7
5 we're discussing agents of FirstEnergy in providing
6 identification, what type of identification do you
7 think is sufficient for agents of FE doing work on
8 someone's property?

9 A. Identification that would indicate that
10 they were employed by FirstEnergy.

11 Q. So this does, in fact, mean it would
12 reflect that they were a FirstEnergy agent or
13 employee.

14 A. The ID that we're talking about here,
15 yes, it would.

16 Q. If we could go to page 9 of your
17 Supplemental. Regarding the 10-day notices, 10-day
18 disconnect notices that are required in the winter
19 months, does the company have a service charge for
20 that first 10-day notice?

21 MS. MILLER: Can I have a line reference?

22 MR. REESE: I'm sorry. That would be
23 line -- it really begins at line 1 on page 9.

24 A. Could you restate the question or have it

1 read back?

2 Q. Yes. When the company makes an initial
3 trip to a customer's premises to deliver the 10-day
4 disconnection notice that's required during the
5 winter months, is there a charge assessed for that
6 visit?

7 A. There would be a charge, yes.

8 Q. There would be. And that's tariffed?

9 A. Yes.

10 EXAMINER BOJKO: I'm sorry. Assessed to
11 the customer, or there's just a charge to the
12 company?

13 THE WITNESS: This would be charged to
14 the customer, a field collection charge.

15 EXAMINER BOJKO: And where's that
16 reflected, if they're getting a disconnection, does
17 that show up on their next bill?

18 THE WITNESS: I believe it's either when
19 the collector goes out, he can receive payment then
20 or be on the next bill.

21 EXAMINER BOJKO: How much is it?

22 THE WITNESS: The amount of the charge?
23 The proposed charge is \$12.

24 Q. (By Mr. Reese) What is the current

1 charge?

2 A. It varies by company. I believe it's
3 \$13.50 right now for Cleveland Electric, and I'm not
4 real sure of the other two companies offhand.

5 Q. You have some objections in your
6 testimony to proposal by the staff to limit the
7 number of these service charges when you're
8 delivering notices such as if somebody was handed a
9 bad check and you had to go back a second time. I
10 believe you say that there are rare instances in
11 which the --

12 MS. MILLER: Can I have a line reference?

13 MR. REESE: Page 10, lines 1 to 14 I'll
14 be discussing.

15 Q. You say there's a rare possibility of
16 three such charges accumulating in a month. Can you
17 give me that example again, and under what
18 circumstances the three charges could be incurred?

19 A. Do you want me to explain more about the
20 example that's in my testimony or --

21 Q. Well, no, that's actually spelled out.
22 Can you give me another scenario or two? I'd like to
23 understand if this rare example where you said it
24 could be up to three, are there other examples of

1 where it could be three or examples where it could be
2 four or more?

3 A. I guess the only other example that comes
4 to mind right away where it could be three, again, I
5 think in the example in my testimony I talk about
6 receiving the check and then the check not being
7 good, I think in that case you could exchange the
8 check example with promise of payment for three days
9 later or some period later and then not getting that
10 payment. I can't think of any examples that would
11 increase the number to four.

12 Q. So right now you're thinking it's going
13 to be rare that there's three of these charges
14 assessed in one month, but that three, in fact, could
15 happen.

16 A. Yeah, in rare occasions three could
17 happen.

18 EXAMINER BOJKO: Well, how many chances
19 do you give a person to say "I'll pay in three days".
20 I'll pay in three days."

21 THE WITNESS: I think that that comes
22 with experience with the field reps. I would assume
23 they wouldn't give them many chances once they get
24 used to the idea the customer is not going to honor

1 for the lack of payment. I can't give specifics, I
2 can't believe there would be any more than a one-time
3 forgiveness if you call it that.

4 EXAMINER BOJKO: Does the field rep tell
5 the customer they're going to get paid each time they
6 come back out if they don't honor that commitment?

7 THE WITNESS: I don't know if there's any
8 communication directly from the field rep to the
9 customer in that regard.

10 EXAMINER PRICE: Do you have a policy as
11 to when the field rep would take promise of payment,
12 or is this a judgment call for the field reps?

13 THE WITNESS: It's somewhat a judgment
14 call that the field rep can make.

15 Q. (By Mr. Reese) Has the company ever
16 considered having these field collection charges
17 embedded in rates?

18 A. Not to my knowledge.

19 Q. Considering it's an annual occurrence.

20 A. I think too, if you look at the objective
21 of cost causation that I have in my testimony, trying
22 to identify these charges or costs that are incurred
23 by the specific group and wanting to keep those
24 charges attached to those customers causing the extra

1 expense, would be reason to keep them separate and
2 not burden other customers with that.

3 Q. Let's move to page 11 of your
4 Supplemental Testimony. Refer specifically to the
5 answer contained in line 1 to 8, the answer is "The
6 Operating Companies' proposed language is an attempt
7 to prevent unnecessary modifications to the Electric
8 Service Regulations whenever the Ohio Administrative
9 Code changes. This inherently allows for the time
10 period in which there is no charge for the first
11 meter test as set out in the tariff to be consistent
12 with the Ohio Administrative Code. The Staff's
13 recommendation would effectively and unreasonably fix
14 this period to 36 months."

15 Can you explain to me how that, the
16 staff's recommendation, fixes it to 33 months?

17 MS. MILLER: Is that 36 months?

18 MR. REESE: Yes.

19 A. The thought behind the statement of
20 fixing it was that when it's in the tariff in the
21 electric service regulations, it's fixed in that
22 sense, and if the code changes, then it is fixed at
23 what's in the tariff until such time you can update
24 the tariffs.

1 Q. Mr. Norris, isn't it fairly routine for
2 the companies to have to update their tariffs when
3 there's an Administrative Code change?

4 A. Yes, the company does make attempts to
5 keep their tariffs up to date with the Ohio
6 Administrative Code change, for example.

7 Q. For instance, you've got eventually here
8 in the spring or summer will be adopting new electric
9 service and safety standards and those will affect
10 the tariffs probably to a large degree, wouldn't
11 they?

12 A. Yes, they will. For some proceeding like
13 that there's obviously reason to change the code for
14 that.

15 Q. Further down in your testimony on page
16 11, talking about the time of day that service gets
17 reconnected, does the company provide same-day
18 reconnection of service when the debt is collected,
19 when the past due charges are paid?

20 A. The company will provide same-day
21 reconnection, yes, if the appropriate balances are
22 paid and all the conditions are met providing for
23 that reconnection.

24 Q. Is there a certain time of day that

1 customers must make payments to be able to be
2 reconnected on that day?

3 A. Yes, I believe there's a time set out in
4 the Ohio Administrative Code which we reference in
5 our tariffs. And if they --

6 Q. Is that time 12:30 right now; do you
7 know?

8 A. I believe it is, yes.

9 Q. In your testimony, specifically down
10 beginning at line 22 on page 11 you refer to "the
11 Staff's recommendation would effectively and
12 unreasonably fix this time to be 12:30." That's
13 referencing the time by which someone would have to
14 have paid their bill in full to be reconnected the
15 same day?

16 A. Yes, that's right.

17 Q. And you think fixing this time at 12:30
18 is unreasonable?

19 A. What my testimony is trying to state,
20 similar to the 36-month issue, is that if we put that
21 time in the tariff, it's fixed until such time that
22 we update the tariff. That's the context of
23 "unreasonable and fixed."

24 Q. And in your opinion what would be a

1 better way to reference it in the tariff?

2 A. Basically to reference whatever the Ohio
3 Administrative Code calls for.

4 Q. So just a reference back to the code.

5 A. Correct.

6 Q. And the best-case scenario is when a
7 consumer/customer can go to the tariff and find out
8 right there rather than have to go to multiple
9 sources?

10 A. Assuming that the tariff was right in
11 line with the Ohio Administrative Code, right up to
12 date, which in most cases it would be, yes, then I
13 would agree.

14 MR. REESE: That's all I have.

15 EXAMINER PRICE: IEU.

16 MS. McALISTER: No questions, your Honor.

17 EXAMINER PRICE: Home Builders.

18 MR. FROEHLE: No questions, your Honor.

19 MR. K. BOEHM: No questions, your Honor.

20 MR. YURICK: No questions, your Honor.

21 MR. LAVANGA: No questions, your Honor.

22 MR. BREITSCHWERDT: No questions, your
23 Honor.

24 EXAMINER PRICE: Staff.

1 MR. JONES: Thank you.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Jones:

5 Q. Good morning, Mr. Norris.

6 A. Good morning.

7 Q. My name is John Jones, I represent the
8 staff of the Commission. I'd like to refer your
9 attention back to I believe it's page 10 of your
10 Supplemental Testimony. The examples that were
11 provided for the fuel collection charge, I just want
12 to understand better for your example the time when a
13 visit would be paid to the customer's address for
14 disconnection of service, would you say that you're
15 proposing that fee to be incurred to the customer
16 when there is not a collection of the delinquent
17 amount, just for disconnection?

18 A. Yes, that's correct.

19 Q. And what currently -- what is the
20 practice currently of the company on the tariff? Do
21 they collect all -- for the examples that you give on
22 page 10, is there a collection of that fee each time,
23 each visit to the customer's address for giving
24 notice, for trying to collect for a check that then

1 is dishonored, and then for disconnect? I mean, is
2 that collected now?

3 A. Under the current policies?

4 Q. Yes.

5 A. It's only collected when payment's
6 received.

7 Q. When payment's received?

8 A. Yes.

9 EXAMINER BOJKO: I'm sorry, could you
10 reread that question and answer, please?

11 (Record read.)

12 EXAMINER PRICE: So you're saying if
13 someone goes out and exercises their discretion and
14 accepts a commitment, pay in three days, today you
15 don't charge a field collection fee at that point --

16 THE WITNESS: That's correct.

17 EXAMINER BOJKO: -- but if they hand you
18 a check on the spot, you charge the field collection
19 fee.

20 THE WITNESS: Right, and that's according
21 to the current language in our tariffs.

22 EXAMINER BOJKO: And is that proposed to
23 stay that way or are you proposing to change it?

24 THE WITNESS: We are proposing to charge

1 for each visit and recover the cost at each visit.

2 EXAMINER BOJKO: Thanks.

3 EXAMINER PRICE: When you send a
4 disconnect -- I'm sorry, Mr. Jones.

5 When you send a disconnect notice out,
6 does it say "We will charge a field collection fee if
7 you pay when we come to disconnect you"?

8 THE WITNESS: I'm not sure if it says
9 that in the disconnection notice or not.

10 EXAMINER PRICE: Does it say it in the
11 bill?

12 THE WITNESS: That's what I was referring
13 to, I'm sorry. We include it as a bill notice, and
14 I'm not sure if it says that in the bill notice or
15 not.

16 EXAMINER PRICE: So you don't know of any
17 instance necessarily when an individual customer
18 might get the notice that says if we charge for field
19 collection -- if there's a field collection, you'll
20 be charged.

21 THE WITNESS: Other than in our tariff.

22 EXAMINER PRICE: Other than the tariff.

23 THE WITNESS: Right.

24 EXAMINER PRICE: Thank you, Mr. Jones.

1 MR. JONES: Thank you, your Honor.

2 Q. (By Mr. Jones) Mr. Norris, you're saying
3 the notice is provided in the billing for that field
4 collection charge?

5 A. No, I'm saying I know there is a
6 disconnection notice as a part of a bill message when
7 this occurs, but I do not know if that message
8 includes notification that there will be a field
9 charge. It may or may not.

10 Q. Okay. And currently you're saying that
11 there is a -- right now the companies can charge
12 three different times for each visit and that shows
13 up in the bill?

14 A. Right now?

15 Q. Yes.

16 A. No.

17 Q. So what can be charged currently under
18 the tariff?

19 A. When a field visit is made --

20 Q. Yes.

21 A. -- for collection, for collection or
22 disconnection, and the field rep receives payment
23 when he makes that visit.

24 Q. Did the companies, the FirstEnergy

1 companies, did they remove any of these incurred
2 expenses that we're talking about from the trips that
3 were made when it filed its test-year expenses in
4 this case? Are they removed from this case for
5 test-year expenses?

6 MS. MILLER: Can you repeat the question?

7 MR. JONES: Yes.

8 Q. For these expenses that are incurred by
9 the company for these field visits to collect on
10 delinquent accounts, were these expenses included for
11 the test-year expenses for this case or are they not?

12 A. To the extent that they would be included
13 in the test-year expenses?

14 Q. Yes.

15 A. There's, to my knowledge, no removal of
16 the expenses, but there is an increase in revenue
17 associated with these visits.

18 Q. Okay. Mr. Norris, I also want to refer
19 you to your Supplemental Testimony on page 12 where,
20 from lines 9 to 18, and the companies' proposal for
21 miscellaneous charges, the escalator, according to
22 the Consumer Price Index, for there to be an
23 adjustment on an annual basis to adjust for
24 increasing the labor charges. Now, these charges

1 that you're proposing for the adjustment, that would
2 automatically adjust distribution rates; would it
3 not?

4 A. It would just adjust the charges that are
5 listed in our proposed tariff such as reconnection
6 fee. It would increase that automatically.

7 Q. In general, if labor costs increase,
8 there is an adjustment to distribution rates; is that
9 what you're saying?

10 A. If there was a base rate case filed that
11 requested increases, I guess you could say that.

12 EXAMINER BOJKO: But if you increase the
13 charge, it's going to increase the distribution
14 revenues received, right?

15 THE WITNESS: If the, say, for example,
16 the reconnection charge is considered in that
17 context, you're saying that's distribution revenue?
18 Then yes.

19 EXAMINER BOJKO: Well, are you saying
20 that it wouldn't necessarily be distribution revenue,
21 the miscellaneous charges aren't?

22 THE WITNESS: I'm just maybe finely
23 keeping them in the context of reconnection charges,
24 but yes, they are related to distribution service, so

1 they would be considered distribution charges.

2 Q. For this automatic increase there's not
3 an adjustment to distribution rates until there's the
4 next rate case; is that correct?

5 A. Not to the balance of all the
6 distribution charges, balance meaning other than
7 reconnection charge, any other fees that get the
8 escalator.

9 EXAMINER BOJKO: If you have an increase
10 in distribution revenues, there's not a corresponding
11 decrease in what you're requesting from the
12 company -- your companies, I'm sorry.

13 THE WITNESS: I'm not sure I understand
14 your question.

15 EXAMINER BOJKO: If you're getting more
16 distribution -- if you're increasing the revenue that
17 you receive, you're not correspondingly decreasing
18 what you request from customers to keep your revenue
19 requirements the same.

20 THE WITNESS: Not in between rate cases.

21 EXAMINER BOJKO: Right.

22 THE WITNESS: Yes.

23 EXAMINER PRICE: Do you have an estimate
24 of the average annual increase in revenues, if the

1 Commission were to grant all the escalators that you
2 ask, do you have an estimate as to the increase in
3 revenues you would receive annually?

4 THE WITNESS: I don't off the top of my
5 head.

6 EXAMINER PRICE: Order of magnitude?

7 THE WITNESS: I'm just trying to do the
8 math in my head thinking that reconnection charge,
9 for example, \$35 I believe as proposed, so say
10 Consumer Price Index escalator generated 2 percent
11 and there were, say, 50 to 60,000 reconnects, and I'm
12 not sure that number's right, but the bottom line is
13 I guess the magnitude would probably be in the
14 hundreds of thousands of dollars.

15 EXAMINER PRICE: Okay. That's fine.
16 Thank you.

17 EXAMINER BOJKO: The fan just kicked in,
18 you're going to have to pull the mike closer to you,
19 or is it even on?

20 EXAMINER PRICE: It's on.

21 EXAMINER BOJKO: And that number was just
22 for your example of a reconnect charge?

23 THE WITNESS: Yeah, which is the bulk --
24 I mean there's a lot more of those than any of these

1 others. Another example is fraudulent use, but
2 there's not as many occurrences of that. So
3 reconnection would be the one that would generate the
4 most revenue from the escalator.

5 EXAMINER BOJKO: I think you identified
6 these in your testimony but could you just remind us,
7 which miscellaneous charges are you requesting
8 automatic escalation provision for?

9 THE WITNESS: I would probably have to
10 look at Schedule E1, but I know fraudulent use was
11 one and reconnection and I believe same-day. Those
12 are the only ones I can remember without checking
13 that schedule, but they're listed on Schedule E1.

14 EXAMINER BOJKO: I'm sorry, Mr. Jones.

15 MR. JONES: That's okay.

16 Q. (By Mr. Jones) Mr. Norris, I'd also like
17 to refer your attention to your Supplemental
18 Testimony on page 6 relating to the parallel
19 interconnections and net metering, that would be
20 lines 10 through 17, and ask you that -- did the
21 FirstEnergy companies file revised net metering
22 tariffs in Commission Case No. 05-1500-EL-COI,
23 Commission-ordered investigation for net metering?

24 A. It's my understanding that the company

1 did file net metering, I'm not sure the case number.
2 I'm not familiar with the exact reference.

3 EXAMINER BOJKO: Speak up just a little
4 more or pull the microphone forward.

5 EXAMINER PRICE: Pull the microphone
6 closer. Might have to move your notebook.

7 Q. Mr. Norris, in that same case did the
8 companies also file revised --

9 MS. MILLER: I object, this question and
10 answer is just regarding -- this is not related to
11 net metering and so further questions on net metering
12 would not be relevant either.

13 EXAMINER PRICE: I haven't even heard his
14 question. Overruled.

15 Mr. Jones.

16 Q. Yes, in that case that you referred to
17 not knowing if that number was correct regarding net
18 metering, in that case did the companies also file a
19 revised use of service section with proposed parallel
20 interconnection requirements?

21 MS. MILLER: Objection.

22 EXAMINER PRICE: Overruled.

23 A. I'm not familiar with that filing other
24 than being made aware a filing was made. My

1 testimony was just trying to point out that the
2 electric service regulation that I'm dealing with is
3 for parallel operation, not net metering, they're two
4 different services.

5 MR. JONES: That's all I have, your
6 Honor.

7 EXAMINER PRICE: Thank you.

8 MR. JONES: Thank you, Mr. Norris.

9 EXAMINER PRICE: Redirect?

10 MS. MILLER: No redirect.

11 - - -

12 EXAMINATION

13 By Examiner Bojko:

14 Q. Mr. Norris, when you're talking about the
15 customer or cost causer, I'll call them cost causers
16 or I think that's what you used in your testimony, it
17 was the customer who caused the charge to be incurred
18 and that's why you're requesting that they pay that
19 charge; is that right?

20 A. Okay. Is there a specific place you're
21 looking?

22 Q. No, just based on our discussion that we
23 had today if a customer -- say a customer gives a bad
24 check. Say a customer gives a bad check and then so

1 they are -- well, I have two questions. First, when
2 are the charges actually assessed currently? I heard
3 you say that they are not or they're only assessed if
4 payment is received, so if someone hands you a check,
5 is the charge assessed at that point because you
6 assume payment is received?

7 A. Yes, that would be my assumption.

8 Q. Okay. Then what happens if the
9 payment -- if the check is bad so payment isn't
10 really received?

11 A. That charge would probably still be
12 intact, but when the collector goes back out to
13 disconnect, there would be no additional charge
14 currently.

15 Q. But then if they made the payment on the
16 spot, they would get another charge.

17 A. Assuming that the collector would accept
18 it the second time. That's a possibility.

19 EXAMINER PRICE: That happens?

20 THE WITNESS: Yeah.

21 Q. Now, what if the customer is in,
22 obviously, default status and you have to go out to
23 give a disconnect notice and they don't end up
24 paying? Does that charge go in their arrearages?

1 A. I only know that they can charge that,
2 I'm not sure if it makes it to the arrearages or not.
3 I just know it becomes the responsibility of the
4 customer.

5 Q. And, well, would you know then if that
6 would then go into, if a customer went on PIP or
7 standard arrearages, it went into the uncollectible
8 expense?

9 A. I don't.

10 EXAMINER PRICE: Do you have any reason
11 to believe it wouldn't go into the uncollectible
12 expense or into the PIP arrearage?

13 THE WITNESS: I just don't know. I'm
14 sorry.

15 EXAMINER PRICE: Who would know? Any
16 witness we have yet to hear from? Okay, any
17 witness's testimony.

18 THE WITNESS: None that I'm aware of.

19 EXAMINER PRICE: Thank you.

20 Q. (By Examiner Bojko) Currently when you
21 raise your miscellaneous charges, the ones you
22 itemized for me that you're requesting the automatic
23 escalation provision, do you have to apply for that
24 increase?

1 A. As proposed?

2 Q. No, currently.

3 A. Yes, we do.

4 Q. You do a tariff filing and request a
5 change, and is that considered an increase in rates
6 or would that be a new service? What kind of filing
7 do you make?

8 A. I guess one similar to we're making now
9 through this distribution case.

10 EXAMINER PRICE: You only do it in the
11 context of the distribution case.

12 THE WITNESS: Currently, correct.

13 Q. You never make an independent filing to
14 increase customer charges?

15 A. Separate from a distribution case you
16 mean?

17 Q. Yes.

18 A. Not that I'm aware.

19 EXAMINER PRICE: That's all I have.

20 Thank you, you're excused.

21 MR. HAYDEN: Your Honor, the companies
22 call Steven Ouellette.

23 MS. MILLER: I'm sorry, I would like to
24 enter into evidence Company Exhibits 15 and 15B.

1 EXAMINER PRICE: Any objections to the
2 admission of 15 and 15B?

3 Hearing none, those exhibits will be
4 admitted.

5 MS. MILLER: Thank you.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 MR. HAYDEN: The companies call Steven
8 Ouellette.

9 (Witness sworn.)

10 EXAMINER BOJKO: Please be seated.

11 MR. HAYDEN: Your Honor, if we could mark
12 for identification the Direct Testimony of Steven
13 Ouellette as Company Exhibit 16.

14 EXAMINER BOJKO: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 MR. HAYDEN: And also mark for
17 identification the Supplemental Testimony for Steven
18 Ouellette as Company Exhibit 16B.

19 EXAMINER BOJKO: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 - - -

22

23

24

1 STEVEN E. OUELLETTE

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Hayden:

6 Q. Mr. Ouellette, do you have a copy of what
7 we have identified as Company Exhibit 16, your Direct
8 Testimony, and Supplemental Testimony, Company
9 Exhibit 16B in front of you?

10 A. I do.

11 Q. And do you have any corrections or
12 additions to your testimony at this point?

13 A. The only correction I would make is that
14 the title, my title, that was Manager is now Director
15 in both documents.

16 Q. Subject to that correction if I were to
17 ask you the same questions as are in your Direct and
18 Supplemental Testimony, would your answers be the
19 same?

20 A. Yes, they would.

21 MR. HAYDEN: Your Honor, this witness is
22 available for cross-examination.

23 EXAMINER BOJKO: Does OCC want to
24 continue to go first or would you like to pass?

1 MR. SMALL: We volunteered only for one
2 day, however, in this instance I believe that we have
3 cross-examination from the OCC and from the Home
4 Builders, and the Home Builders has agreed to go
5 first.

6 EXAMINER BOJKO: Okay, great.

7 Mr. Froehle.

8 MR. FROEHLE: Good morning, your Honors.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Froehle:

12 Q. Good morning, Mr. Ouellette. I'm going
13 to refer you to your Supplemental Testimony and at
14 page 2 of your Supplemental Testimony --

15 MR. HAYDEN: I'm sorry, I can't hear.

16 MR. FROEHLE: How about I stand and I
17 speak louder.

18 MR. HAYDEN: That would be good.

19 Q. Referring to your supplemental testimony,
20 specifically page 2 of that testimony, you indicated
21 that the companies' proposed line extension cost
22 recovery approach is consistent with the agreement
23 reached among the parties in the stipulation that was
24 approved by the Commission in Case No. 01-2708 of the

1 Commission-ordered investigation; is that correct?

2 A. Yes.

3 Q. Thank you.

4 And also isn't it correct and isn't it
5 true that the signatory parties to that stipulation
6 agreed that the line extension cost recovery
7 methodology would apply only until the new rates in
8 FirstEnergy's next subsequent rate case took effect?

9 A. I think that question's a rather broad
10 question.

11 Q. So is that a "yes" or a "no"?

12 A. That is a no.

13 Q. No, that it did not say that.

14 A. I don't think it characterized -- I don't
15 think the recovery mechanism as it pertains to the
16 stipulation agreement limits only to the way the
17 stipulation is today going forward.

18 Q. Okay.

19 EXAMINER BOJKO: I'm sorry, limits what?

20 THE WITNESS: I'm not sure that the
21 recovery mechanism that was put together in the
22 stipulation only limits the recovery through the
23 period that it identified. It only talked about two
24 items in that stipulation regarding recovery and that

1 was the surcharge and the unrecovered up-front
2 payments.

3 EXAMINER BOJKO: With regard to the time
4 period of collection?

5 THE WITNESS: Right. And the only area
6 that it's stipulated for that would end was the
7 surcharge component.

8 Q. But it is correct that most of the
9 current charges ended on 12/31/07.

10 A. Most of the current charges associated
11 with costs incurred prior to the period ended then,
12 yes.

13 Q. Okay. Thank you.

14 And then referring back to your
15 supplemental testimony at page 2, line 23, and it
16 carries over to the next page, you indicated that
17 without implementation of the companies' proposed
18 up-front charges, that the companies will not
19 adequately recover the costs associated with line
20 extensions until the next base rate proceeding; is
21 that correct?

22 A. Yes.

23 Q. Thank you.

24 And then is there any reason to think

1 that without the Commission's approval of the
2 companies' proposal that the companies wouldn't
3 adequately recover the line extension costs in the
4 next distribution rate case?

5 A. No.

6 MR. FROEHLE: Thank you. That's all I
7 have.

8 EXAMINER BOJKO: Mr. Small or Mr. Reese.

9 Would you like us to move on to see if
10 anybody else has questions first?

11 MR. SMALL: No, your Honor.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Small:

15 Q. Mr. Ouellette, in response to the
16 question you were just asked about recovery in the
17 next rate case, how will the company recover the cost
18 of the line extensions in the next rate case?

19 A. Two forms. One would be up front from
20 the customer, and the other would be through
21 distribution rates associated with those customers in
22 those customer classes.

23 Q. I'm not sure I'm clear about your
24 response. The question was about recovering it in

1 the next rate case.

2 A. I'm sorry, I'll clarify, in this rate
3 case.

4 Q. In this rate case. Now, the question I
5 was asking was a follow-up to the Home Builders, you
6 responded that you would get recovery in the next
7 rate case. Do you remember that response?

8 A. Yes.

9 Q. And in what form would you receive the
10 recovery of the line extension in the next rate case?

11 A. We propose up-front costs for customers
12 to pay in this case and then recovery of the
13 remaining costs would be bore in the following rate
14 case.

15 Q. And in what form would that come?

16 A. Added to base rates and distribution
17 rates.

18 Q. Unlike this case there wouldn't be any
19 involvement of deferrals; is that correct?

20 A. No, it would be the full recovery of the
21 cost.

22 Q. There wouldn't be any deferrals such as
23 those that are in --

24 A. I'm sorry. Let me correct that. There

1 would be deferrals, there would be recovery of --
2 recovery charges as there would be in the case today
3 along with the deferred revenue.

4 Q. So you're saying that the next rate case
5 would be like the present one with deferrals plus
6 increases in distribution rates?

7 MR. HAYDEN: Your Honor, objection. He's
8 asking the witness to speculate as to how we're going
9 to recover costs in the next case that's not even
10 pending. How can the witness know even when the next
11 rate case will be, let alone how we're going to
12 recover the dollars associated with those costs?

13 EXAMINER BOJKO: If the witness knows, I
14 think he can answer because it goes to how the costs
15 are going to be recovered in this case and then how
16 the remaining costs will be recovered in a future
17 case.

18 So if you know, Mr. Ouellette, you can
19 answer.

20 A. I wouldn't know that at this point.

21 EXAMINER BOJKO: You would not know?

22 THE WITNESS: I would not know that.

23 Q. I think the question is much simpler
24 which is has the company -- is it the companies'

1 plan, current plan not some future recovery thing,
2 but is it the companies' current plan to continue to
3 have deferrals?

4 A. Yes.

5 Q. Where is that spelled out in the
6 companies' application in this case?

7 A. We are entitled to defer the line
8 extension fees in this case as it was specified in
9 the stipulation document.

10 Q. Okay. And I understand as a result of
11 the test year and date certain period that the
12 company has deferrals that extend beyond the period
13 for consideration in this case; is that your
14 understanding as well?

15 A. Would you repeat that question again?

16 (Record read.)

17 MR. HAYDEN: Objection. Which deferrals
18 are we talking about?

19 MR. SMALL: We're talking about line
20 extension deferrals. All these questions are about
21 line extension deferrals.

22 A. I don't know of any deferrals beyond this
23 case.

24 Q. I didn't ask about deferrals beyond this

1 case. I asked for deferrals beyond the test period
2 of this case.

3 A. The company would believe that any
4 unrecovered costs associated with line extension
5 after the test period would be recoverable.

6 Q. Okay. Is there any limit to the time
7 period where those deferrals would take place?

8 A. I do not know.

9 MR. SMALL: No further questions, your
10 Honor.

11 EXAMINER BOJKO: IEU, does IEU have any
12 questions?

13 MS. McALISTER: No questions, your Honor.

14 MR. K. BOEHM: No questions, your Honor.

15 MR. YURICK: No questions.

16 MR. BREITSCHWERDT: No questions, your
17 Honor.

18 EXAMINER BOJKO: Staff?

19 MR. JONES: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Jones:

23 Q. Good morning, Mr. Ouellette. Again, my
24 name is John Jones, and I represent the staff in this

1 case. I wanted to ask you regarding your
2 supplemental testimony on page 3 regarding you say
3 that without full up-front recovery of distribution,
4 company line extension costs from the GT customers,
5 wouldn't that be true of all classes of customers
6 for -- if you don't recover that up front, it would
7 have to be recovered from other ratepayers in the
8 next rate proceeding?

9 A. Yes.

10 MR. JONES: Thank you. That's all I
11 have.

12 - - -

13 EXAMINATION

14 By Examiner Bojko:

15 Q. Well, only that amount that's in the test
16 year, right? Or are you assuming the deferrals that
17 you referenced previously?

18 A. Yes, I'm still assuming the deferrals
19 that we referenced, all costs recovered.

20 Q. The deferrals that you're referencing are
21 from the line extension stipulation.

22 A. That's correct.

23 Q. Are you requesting a new authority for
24 new deferrals in this case?

1 A. No, ma'am.

2 EXAMINER BOJKO: Do you have any
3 redirect?

4 MR. HAYDEN: Can we have a short break,
5 please?

6 EXAMINER BOJKO: Sure.

7 Let's take a ten-minute break.

8 (Recess taken.)

9 EXAMINER BOJKO: Mr. Hayden, do you have
10 any redirect?

11 MR. HAYDEN: Yes, I do, your Honor.

12 - - -

13 REDIRECT EXAMINATION

14 By Mr. Hayden:

15 Q. Mr. Ouellette, there was a line of
16 questions during cross-examination referred to --

17 EXAMINER BOJKO: I'm sorry, you're going
18 to have to speak up or use the microphone.

19 Q. There was a line of questions during your
20 cross-examination referred to the deferral. Could
21 you just clarify for us. Is the company seeking
22 additional deferral authority in this case?

23 A. No. The reason it's confusing is we're
24 using the deferral today as the test year, and we're

1 going to defer up through the test year. The company
2 feels that the stipulation allows until the next
3 distribution rate case is in effect which would be
4 through 2008, but we're not going any farther than
5 the test year in this case.

6 Q. And do you recall the line of questions
7 about whether the company would adequately recover
8 the costs of line extensions in this case?

9 A. Yes.

10 Q. Could you just clarify why you're
11 proposing up-front charges for this proceeding?

12 A. Yeah. Our position that the company
13 takes is that cost causers should be responsible for
14 costs for the line extension and, therefore, we felt
15 that as new installations and line extension took
16 place, we would be entitled to up-front costs and how
17 our program exists today, and we want to go forward
18 and do it that way.

19 MR. HAYDEN: Thank you. Your Honor, no
20 further redirect.

21 EXAMINER BOJKO: We'll start with Home
22 Builders, do you have recross?

23 MR. FROEHLE: No, your Honor.

24 EXAMINER BOJKO: OCC.

1 MR. SMALL: Yes, your Honor.

2 - - -

3 RE CROSS-EXAMINATION

4 By Mr. Small:

5 Q. One piece of clarification.

6 Mr. Ouellette, in response to your counsel's question
7 you said, and I hope I wrote this down as a direct
8 quote, "not going any further than the test year in
9 this case." Not going any further for what?

10 A. For the costs associated with line
11 extension through the test year.

12 Q. Are we speaking -- are you referring to
13 deferrals?

14 A. Yes.

15 Q. So is that response not -- your response
16 has nothing to do with deferrals after this case,
17 you're just making a statement about what the
18 company's asking for in this particular case?

19 A. There were two responses there. One was
20 the response for the deferral in this case. We also
21 felt that we're entitled to deferrals until the next
22 distribution rate case which would be 2009, so there
23 could be additional deferrals in a follow-up case.

24 MR. SMALL: Thank you.

1 EXAMINER BOJKO: And that's because you
2 believe the settlement goes through the end of the
3 distribution rate freeze which is beyond the test
4 period in this case?

5 THE WITNESS: That's correct.

6 EXAMINER BOJKO: So in the settlement
7 and/or Commission order any references to the next
8 distribution rate case, in your mind, would have been
9 after the end of the distribution rate freeze?

10 THE WITNESS: I'm not sure of that
11 question. Can you read it back?

12 (Record read.)

13 THE WITNESS: Yes.

14 EXAMINER BOJKO: Does staff have recross?

15 MR. JONES: Nothing, your Honor.

16 EXAMINER BOJKO: Any other party?

17 - - -

18 FURTHER EXAMINATION

19 By Examiner Bojko:

20 Q. Mr. Ouellette, I think I have some
21 questions.

22 And just so the record's clear, the
23 difference that you've just referenced between when
24 the deferrals could be collected is the end of the

1 test year here which is February 29th, 2008, versus
2 the end of the distribution rate freeze which would
3 have been or is December 31st, 2008, for two of the
4 companies.

5 A. For two of the companies, yes.

6 Q. When's the other rate freeze end?

7 A. I believe it's December 31st, 2010. No,
8 I'm sorry, that's wrong. The rate freeze is the
9 same -- you know what, I'm not sure.

10 Q. The RTC collection for CEI.

11 A. Yeah, I'm not sure.

12 MR. HAYDEN: I believe it's May 2009.

13 Q. Is the estimated date, but it's tied to
14 when the RTCs are recovered; is that right?

15 A. Yes. I think it was.

16 Q. I see nodding from your fellow company
17 representatives.

18 Let's stay on line extensions for a
19 minute. Responding to some questions you talked
20 about an up-front charge and you used the terminology
21 "from a customer." Did you mean only from a customer
22 or you're considering a home builder would also be a
23 customer; it's just an up-front charge whether it
24 comes from the builder or customer?

1 A. I meant from a customer or developer.

2 Q. And just to clarify your position that
3 you stated about deferrals, you are not requesting or
4 you're not saying that you are authorized to defer
5 line extensions beyond the end of the rate freeze for
6 the companies.

7 A. We're not requesting that.

8 Q. And I just want to make sure I'm
9 understanding your testimony as well as staff in the
10 Staff Report. You're asking that the up-front
11 payment stay the same as it is currently which is
12 based upon the settlements that we have referenced
13 and that being you're stating that the up-front
14 customer charge for a residential customer should be
15 \$300 and staff is proposing \$100 or \$50 if it's
16 geothermal; is that right?

17 A. That's correct.

18 Q. And I'm going through these numbers
19 because they weren't laid out specifically in your
20 testimony. The multifamily, your position is to keep
21 it at 100, whereas, staff is saying lower it to \$50.

22 A. That's correct.

23 Q. And nonstandard residential, you're
24 proposing \$300 plus any incremental above 5,000, and

1 staff is stating it would be a \$200 up-front payment
2 plus an incremental above 5,000.

3 A. Yes.

4 Q. And both the companies' position as well
5 as staff's is not to continue the surcharges.

6 A. That's correct, after 2009.

7 Q. And staff's position in the Staff Report
8 or the Staff's Report is silent as to this deferral
9 issue that we've been discussing today; is that
10 right?

11 A. I believe so.

12 Q. Your testimony doesn't talk about the
13 staff's silence with regard to the deferral; is that
14 right?

15 A. No, it does not.

16 Q. And for the nonresidential customers the
17 ones that are not transmission customers will
18 still -- under your proposal as well as the staff's,
19 it's the 40 percent?

20 A. That's correct.

21 Q. And then for the nonres but that are
22 transmission customers you're proposing a hundred
23 percent of costs be paid by those customers where
24 staff is recommending only 60 percent; is that right?

1 A. Yes; that's the GT rate customers.

2 Q. You stated in response to a question from
3 I think it was Mr. Froehle that the stipulation
4 didn't speak in the line extension case, the 01-2708,
5 I believe you stated that you didn't believe the
6 stipulation spoke to a termination date at that
7 settlement; is that right?

8 A. I guess what I meant was it didn't speak
9 to the termination of the process the settlement put
10 together.

11 Q. And would your answer be the same with
12 regard to the Commission's order approving said
13 settlement?

14 A. Yes, because I think the settlement still
15 applies today going forward as a good fix for
16 customers to pay up front.

17 Q. Since you're recommending continuation of
18 the settlement agreement in 01-2708, can you explain
19 briefly what the purpose or intent of that or what
20 the need was for that settlement?

21 A. At the time of the settlement there was
22 no way for customers -- or, I'm sorry, for the
23 company to recover costs for line extension in their
24 base rates, they were frozen. And this was a means

1 to recover the costs associated with that and have a
2 return on that.

3 Q. There was no means because of
4 restructuring?

5 A. Restructuring and the position that we
6 were -- it was a distribution rate case, and
7 distribution rates were only a portion of the total
8 rates and, therefore, would only be -- the company
9 would only recover over a very long period of time,
10 if it covered at any. So it was during -- it was
11 brought about because of restructuring.

12 Q. I'm going to switch focus off of line
13 extensions to a couple other items in your testimony.
14 On page 7 of your Direct Testimony the question and
15 answer on line 10 and 12, well, it's the whole net
16 metering section, you talk about the reduction of
17 kilowatt sales and then you go on to talk about the
18 adjustment is currently set at zero and future
19 changes in net metering programs create additional
20 expenses or lost revenues; do you see that?

21 A. Yes.

22 Q. Are you referencing to lost distribution
23 revenues, or are you talking about revenues
24 associated with the distribution side?

1 A. In this particular case, yes.

2 Q. On page 3 of your Direct Testimony you
3 discuss the DSM rider and you talk about an amount
4 that will be spent on DSM programs, then you talk
5 about the 2006 to 2008 time period. What amount has
6 been spent to date? Do you know?

7 A. Totally less than 2 million,
8 approximately.

9 Q. So by this statement is it the companies'
10 intent to spend 26 million yet this year?

11 A. I don't think that's possible.

12 Q. What is the companies' position? You put
13 it in your testimony that that amount will be spent.

14 A. At the time the testimony was written the
15 expectations were we would be farther along with
16 advertising costs and customer participation, I can
17 only guess what it would be by the end of this year,
18 but probably somewhere in the neighborhood of
19 probably half the amount designated here.

20 Q. So by the end of 2008 you project to
21 spend 14 million?

22 A. 14, maybe 14 to 20 at the most.

23 Q. And I'm assuming this, is that money set
24 aside already?

1 A. I don't know that.

2 Q. Will you continue to attempt to spend the
3 additional, whether it be 8 or 12 million, the
4 difference, in the following years?

5 A. If the program passes the total resource
6 test, the program will continue through 2008 and --
7 I'm sorry, through 2009 and until the program dollars
8 run out, or if it doesn't pass the total resource
9 test this year, the program would have to be
10 restructured and dollars remaining in the demand-side
11 management program as it sits today would defer to
12 2009. So any --

13 Q. Would defer to 2009?

14 A. It would accrue to 2009.

15 EXAMINER BOJKO: That's all the questions
16 I have. You may step down. Thank you,
17 Mr. Ouellette.

18 MR. HAYDEN: Your Honor, at this point
19 I'd like to move for the admission of Company Exhibit
20 16, Direct Testimony of Steve Ouellette, and Company
21 Exhibit 16B, Supplemental Testimony of Steve
22 Ouellette.

23 EXAMINER BOJKO: Any opposition to the
24 admission of those exhibits?

1 Hearing none, Company Exhibit 16 and 16B
2 will be admitted.

3 (EXHIBITS ADMITTED INTO EVIDENCE.)

4 EXAMINER BOJKO: Would the company like
5 to call its next witness?

6 MR. HAYDEN: Your Honor, we call Michelle
7 Henry.

8 EXAMINER BOJKO: Could you raise your
9 right hand, please.

10 (Witness sworn.)

11 EXAMINER BOJKO: Let's go off the record
12 for one moment.

13 (Discussion off the record.)

14 EXAMINER BOJKO: Let's go back on the
15 record. Mr. Hayden.

16 MR. HAYDEN: Your Honor, if we could mark
17 for identification Direct Testimony of Michelle R.
18 Henry Company Exhibit 14.

19 EXAMINER BOJKO: 14?

20 MR. HAYDEN: 14.

21 EXAMINER BOJKO: It will be so marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MR. HAYDEN: And Update Testimony of
24 Michelle R. Henry as Company Exhibit 14A, please.

1 EXAMINER BOJKO: It will be so marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 - - -

4 MICHELLE R. HENRY

5 being first duly sworn, as prescribed by law, was
6 examined and testified as follows:

7 DIRECT EXAMINATION

8 By Mr. Hayden:

9 Q. Miss Henry, do you have a copy of what
10 has been identified as Direct Testimony of Michelle
11 Henry Company Exhibit 14 and Update Testimony of
12 Michelle Henry, Company Exhibit 14A in front of you?

13 A. Yes.

14 Q. And do you have any additions or
15 corrections to that testimony at this time?

16 A. I don't.

17 Q. And if I were to ask you the same
18 questions that were in the Update Testimony as well
19 as Direct Testimony today, would your answers be the
20 same?

21 A. They would.

22 MR. HAYDEN: Your Honor, this witness is
23 available for cross-examination.

24 EXAMINER BOJKO: Mr. Bentine.

CROSS-EXAMINATION

By Mr. Bentine:

Q. Ms. Henry, hi. I'm John Bentine, I really just have a couple of questions for you. First of all, I believe you have reviewed the testimony of Mr. Kevin Higgins on behalf of the City of Cleveland as it relates to the traffic lighting proposals in this case.

A. Yes, I have.

Q. And would you agree with me that the rate revenue allocation proposed by Mr. Higgins for traffic lighting is not unreasonable?

A. I would agree that the revenue allocations proposed by Mr. Higgins is not unreasonable.

MR. BENTINE: Thank you. That's all I have.

EXAMINER BOJKO: I still typically go to staff. Given that, do you have any questions?

MR. JONES: No questions, your Honor.

EXAMINER BOJKO: Does the company have any redirect?

MR. HAYDEN: No, we don't.

EXAMINER BOJKO: I have a couple

1 questions.

2

3

EXAMINATION

4

By Examiner Bojko:

5

6

7

Q. Miss Henry, you're probably aware
Miss Chatman punted a question to you yesterday.
Were you here yesterday?

8

A. I was not.

9

10

Q. Are you familiar with Miss Chatman's
testimony?

11

A. I briefly reviewed the transcript.

12

13

14

15

16

Q. There is a discussion about the -- I
would say it's a pending filing that she referenced,
07-361, '62, and '63, which is regarding the private
outdoor lighting programs. Are you familiar with
that filing that the company has made?

17

A. Yes.

18

19

20

21

Q. There were some questions of her that she
didn't know the answer to and I had asked what
exactly is in that filing, what did you file for in
that filing?

22

23

24

A. The companies are proposing in this
filing that private outdoor light tariffs will not be
available for new installations beginning on the date

1 ordered by the Commission in these cases.

2 Q. But you will grandfather the existing
3 contracts or agreements?

4 A. The tariff will be grandfathered.

5 Q. And I believe it's my understanding from
6 Miss Chatman that it will be grandfathered, but the
7 agreements are limited to a five-year period; is that
8 right?

9 A. There are POL contracts that have
10 five-year contract terms, yes.

11 Q. Oh, are there others that have longer
12 than five years?

13 A. Not longer than five years, but less than
14 five years in accordance with the current POL
15 tariffs.

16 Q. And after those agreements expire, the
17 grandfathering would then end. You're not intending
18 on extending those current contracts, are you?

19 A. The POL tariff application pending before
20 the Public Utilities Commission does not contemplate
21 expiration of POL service.

22 Q. Does not contemplate expiration. So you
23 would continue those contracts?

24 A. As the tariff -- proposed tariff has been

1 filed, there will be no expiration of POL service.

2 Q. So if a POL agreement is only five years
3 in duration, at the end of that five years they may
4 continue that agreement? Because if you're not going
5 to initiate new agreements, would that agreement
6 continue?

7 A. Pending before the Utility Commission the
8 tariff does not expire the service of the POL.

9 EXAMINER PRICE: Would you renew existing
10 contracts of POL, or are you expecting these
11 contracts to simply expire on their own terms?

12 THE WITNESS: No, we're not proposing
13 expiration of service for POL customers that are
14 currently on POL tariffs.

15 EXAMINER PRICE: Any POL customer who
16 wanted to be a POL customer that's currently a POL
17 customer could do so indefinitely.

18 THE WITNESS: Based on our proposed
19 filing at the Commission, yes.

20 Q. (By Examiner Bojko) Regardless of their
21 current termination limit in their agreements.

22 A. Yes.

23 Q. Okay. Thank you for clarifying that.

24 In your updated filing Company Exhibit A,

1 14A, your Updated Testimony, you on page 3 talk about
2 the changes in certain charges do not result in a
3 rate increase. Could you explain that a little more
4 to me because when I go and look at the red line of
5 the tariffs, every charge is an increase, so at first
6 I thought maybe you were referencing the overall.
7 It's not an overall rate increase when you consider
8 all of the tariff schedules and all of the charges,
9 but all of the ones that I looked at increased. So
10 could you explain that.

11 A. When the company proposed its original
12 rates, they were based on budgeted revenue, and the
13 intent of the rate design was to generally keep the
14 rates revenue neutral to the budgeted revenue. When
15 the company reviewed the filing and did its 3 plus 9
16 update using 3 months of actual, it determined there
17 was an error in the budget and, therefore, the rates
18 were revised to reflect actual revenues rather than
19 the budget revenues which were in error.

20 Q. I understand that about your books, but
21 what was actually charged to the customer? Are you
22 stating that the customer was not actually charged
23 what was listed in your tariff?

24 A. The customer was charged what was listed

1 in the tariff, but the budget was incorrect which was
2 the source for the original rate design.

3 Q. The customers will see, if we approve
4 these increases in charges, they will see an increase
5 in this charge, right?

6 A. They will not. The resulting rates from
7 our original filing would have seen -- customers
8 would have seen a decrease equal to the error in the
9 budget.

10 EXAMINER PRICE: Okay. Thank you.

11 EXAMINER BOJKO: No further questions.

12 You may step down, Miss Henry.

13 MR. HAYDEN: Your Honor, can we clarify a
14 point based on your questions one moment, please?

15 EXAMINER BOJKO: I'll see. Ms. Henry, I
16 think you need to stay up on the stand.

17 MS. KOLICH: Actually, can we talk to her
18 for a minute?

19 EXAMINER PRICE: You say you need a
20 minute to discuss?

21 EXAMINER BOJKO: You can have a minute.

22 MS. KOLICH: Thank you.

23 EXAMINER PRICE: Let's go off the record.

24 (Discussion off the record.)

1 EXAMINER BOJKO: Let's go back on the
2 record.

3 MR. HAYDEN: Your Honor, if we could move
4 to admit the Direct Testimony of Michelle R. Henry,
5 Company Exhibit 14, and Update Testimony of Michelle
6 R. Henry, Company Exhibit 14A.

7 EXAMINER BOJKO: Any opposition to the
8 admission of Company Exhibits 14 and 14A?

9 Hearing none, they will be admitted.

10 (EXHIBITS ADMITTED INTO EVIDENCE.)

11 EXAMINER BOJKO: Company, would you like
12 to call your next witness?

13 MR. BURK: Yes, your Honor. At this time
14 the company calls Gregory F. Hussing.

15 (Witness sworn.)

16 EXAMINER PRICE: Please be stated and
17 state your name and business address for the record.

18 THE WITNESS: My name is Greg Hussing,
19 business address, 76 South Main Street, Akron, Ohio.

20 EXAMINER PRICE: Please proceed.

21 MR. BURK: Thank you, your Honor. At
22 this time I'd like to have marked as Company Exhibit
23 13 Mr. Hussing's Direct Testimony.

24 EXAMINER PRICE: So marked.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 MR. BURK: Company Exhibit 13A will be
3 Mr. Hussing's Update Testimony.

4 EXAMINER PRICE: So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 MR. BURK: And Company Exhibit 13B will
7 be Mr. Hussing's Supplemental Testimony.

8 EXAMINER PRICE: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 - - -

11 GREGORY F. HUSSING

12 being first duly sworn, as prescribed by law, was
13 examined and testified as follows:

14 DIRECT EXAMINATION

15 By Mr. Burk:

16 Q. Mr. Hussing, before you do you have
17 Company Exhibits 13, 13A, and 13B?

18 A. Yes, I do.

19 Q. And do those represent your Direct,
20 Update, and Supplemental Testimony respectively in
21 this proceeding?

22 A. Yes, they do.

23 Q. And do you have any corrections or
24 additions that need to be made to that testimony?

1 A. No, I do not.

2 Q. Okay. So if I were to ask you the same
3 questions today, would your responses be the same as
4 set forth in that prefiled testimony?

5 A. Yes, they would.

6 Q. Thank you.

7 MR. BURK: At this time the witness is
8 tendered for cross.

9 EXAMINER PRICE: Mr. Lavanga.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Lavanga:

13 Q. Good morning, Mr. Hussing. My name is
14 Mike Lavanga and I'm counsel to Nucor Steel Marion
15 and I just have a couple questions for you this
16 morning. First off, is it accurate to say that in
17 this proceeding FirstEnergy is proposing to eliminate
18 all of its existing rates that include generation,
19 transmission, and distribution components and are
20 proposing distribution only rates?

21 A. In this case we are proposing
22 distribution rates.

23 Q. Okay. And is it also correct that you're
24 eliminating the rates -- the current rate schedules

1 that also include generation and transmission
2 components?

3 A. We have a separate case for generation.

4 EXAMINER BOJKO: Where you're eliminating
5 those rates?

6 THE WITNESS: Well, the generation case
7 has its rate schedules that are in line with the
8 distribution rate schedules.

9 Q. And this would be Case No. 07-796 where
10 you're proposing a market-based standard service
11 offer for generation?

12 A. I don't know the exact case number.

13 Q. Okay. But the idea is that if -- assume
14 I'm a customer that's on one of these rate schedules
15 that has both generation and transmission getting
16 eliminated in this case, if I wanted to take
17 generation service from FirstEnergy, I would have to
18 take it under the standard service offer that's being
19 proposed in the standard service offer proceeding.

20 A. I'm testifying on distribution rates.
21 I'm not testifying on generation rates.

22 Q. Yes, but, Mr. Hussing, isn't it correct
23 that you're proposing to eliminate all the rates that
24 include generation and transmission components in

1 this proceeding?

2 MR. BURK: I'm going to object, your
3 Honor, we've covered this. That's been asked and
4 answered already.

5 EXAMINER PRICE: We'll just allow it one
6 more time for clarification. Please proceed.

7 Q. I just asked if it was correct that the
8 company was proposing to eliminate all rates that
9 include generation and transmission components in
10 this proceeding.

11 A. We are proposing to standardize the
12 existing rate schedules for all the companies for
13 distribution purposes and we have a separate
14 proceeding that addresses the generation issue.

15 Q. Okay. Mr. Hussing, in developing the
16 rates, in developing the distribution-only rates in
17 this proceeding, did the company consider any kind of
18 fallback option for customers that want to take
19 generation service from FirstEnergy if the standard
20 service offer proposal is not approved by the
21 Commission by January 1st of 2009?

22 MR. BURK: I object, again, your Honor.
23 Again, he's asking about a generation case that's not
24 part of this proceeding.

1 EXAMINER PRICE: If he knows the answer,
2 he can answer the question. Overruled.

3 A. Once again, I'm testifying on
4 distribution rates.

5 EXAMINER PRICE: That's not the answer.
6 If you know the answer, you should go ahead and
7 answer the question.

8 THE WITNESS: We have filed a generation
9 case of which I don't know the outcome.

10 Q. So, Mr. Hussing, do you know whether the
11 company has any fallback plan for customers that wish
12 to take generation and transmission service from
13 FirstEnergy in the event that the distribution-only
14 rates are approved in this proceeding and the SSO
15 mechanism is not approved by the Commission as of
16 January 1st of 2009?

17 A. No, I do not.

18 Q. Mr. Hussing, is it correct that the
19 company is also proposing to eliminate all
20 interruptible rates in this proceeding?

21 A. It's proposing to -- the distribution
22 only rates do not have an interruptible provision in
23 it.

24 Q. Do you know there's an interruptible rate

1 being proposed in the standard service offer
2 proceeding?

3 MR. BURK: I'll just note my continuing
4 objection to questioning about a different
5 proceeding.

6 EXAMINER PRICE: I'm going to sustain the
7 objection this time. I think you're starting to get
8 a little far afield from asking him the details in a
9 generation case as opposed to -- I can accept what's
10 going to happen if that doesn't go forward, but now,
11 you're getting into what are the provisions in that
12 case.

13 MR. LAVANGA: That's fine, your Honor.

14 Q. Mr. Hussing, just one more question.
15 Would you agree that interruptible rates have
16 provided value to the company?

17 MR. BURK: Again, unless it's
18 specifically directed toward distribution service, I
19 object.

20 EXAMINER PRICE: Overruled.

21 A. Interruptible service has not provided
22 any benefit from a distribution perspective.

23 Q. But overall benefits to the system?

24 A. Once again, I can only speak to

1 distribution.

2 EXAMINER BOJKO: Are you physically
3 removing them in this case?

4 THE WITNESS: When you say "physically
5 removing" --

6 EXAMINER BOJKO: Are the companies
7 eliminating those tariff schedules in this
8 proceeding?

9 THE WITNESS: The proceeding standardizes
10 the existing rate schedules into new classifications.

11 EXAMINER BOJKO: Which has the effect of
12 eliminating those tariff schedules that are being
13 referenced.

14 THE WITNESS: Correct.

15 EXAMINER BOJKO: Go ahead.

16 MR. LAVANGA: I have no further
17 questions.

18 EXAMINER PRICE: Thank you.

19 Mr. Breitschwerdt.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Breitschwerdt:

23 Q. Good morning, Mr. Hussing. I'm Brett
24 Breitschwerdt, I represent the Ohio Schools Council

1 in this case. Your current position at FirstEnergy
2 is the Director of Regulatory Analytics; is that
3 correct?

4 A. That's correct.

5 Q. As the Director of Regulatory Analytics,
6 you were responsible for the design of the company's
7 proposed distribution rates in this case.

8 A. That is correct.

9 Q. And the company proposes to consolidate a
10 number of distribution rate schedules available under
11 the current tariffs including what are currently
12 school rates; is that correct?

13 A. That is correct.

14 Q. So in your analysis designing the
15 companies' proposed distribution rates you reviewed
16 the cost-of-service study that was created by the
17 company as part of your, I guess, analysis?

18 A. Yes.

19 MR. BREITSCHWERDT: Your Honor,
20 permission to approach.

21 EXAMINER PRICE: Granted.

22 MR. BREITSCHWERDT: Your Honor, I would
23 like to mark this as Ohio Schools Council Exhibit 9.

24 EXAMINER PRICE: So marked.

1 MR. BREITSCHWERDT: Similar to what the
2 Ohio Consumers' Counsel did yesterday, we're
3 reserving Exhibits 1 through 8 for our exhibits
4 related to our direct testimony.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Now, Mr. Hussing, this is a response to
7 Ohio Schools Council's discovery request; is that
8 correct?

9 A. Yes, it is.

10 Q. And you recognize your name in the upper
11 right corner of this document?

12 A. Yes, I do.

13 Q. And so that would signify that you were
14 responsible for either preparing this or having
15 someone prepare it on your behalf?

16 A. Yes, it is.

17 Q. Okay. I'd like to read you the second
18 sentence of your response to this discovery request.
19 It states "Specific legacy schedules such as 'School
20 rates' are not being proposed in this case, therefore
21 an analysis of such rates was not performed."

22 Based on this response, this would
23 signify that you did not complete an analysis of the
24 impact of discontinuing school rates; is that

1 correct?

2 A. When we look at the distribution rate
3 design, this is the first opportunity that we've had
4 to redesign rates specifically for distribution
5 service. The existing legacy schedules were based on
6 a bundled basis and on unbundling they were just
7 unbundled into different components. So this is the
8 first opportunity that we can look at rate schedules
9 specifically for distribution.

10 When I looked at rate design, what
11 classifications to use, I looked at what is a general
12 service customer, what is a natural grouping for
13 general service customers, residential customers, and
14 for distribution service I believe it is the voltage
15 and the type of service and the assets that are owned
16 by those customers that is the common element. The
17 only common element across each group -- each group
18 or subgroup of customers.

19 Q. Okay. In specific response to my
20 question, you didn't complete an analysis on the
21 impact of discontinuing school rates on the schools?
22 I understand the general overview of your change, but
23 specifically referencing the school rates.

24 A. I didn't distinguish schools from any

1 other group because the commonalty of the school to
2 the general service population is also the service
3 voltage that they would take for distribution
4 service.

5 Q. But the answer to my specific question
6 would then be "no;" is that correct.

7 A. I believe I answered your question.

8 Q. Did you do a specific analysis of the
9 school rates?

10 A. I didn't treat schools any differently
11 than any other general service group.

12 Q. Was an analysis completed analyzing the
13 cost to serve schools in the cost-of-service study?

14 MR. BURK: Well, I'll object, your Honor,
15 because Mr. Hussing is not the cost-of-service
16 witness. That was Mr. Stein.

17 Q. Understandably. Did you review the
18 cost-of-service study in creating the rate design?

19 A. I created the rate groups --

20 Q. Correct.

21 A. -- by which the cost-of-service team
22 utilized to distinguish cost groups.

23 Q. And in doing so did you review the
24 cost-of-service study?

1 A. I only took the output of the
2 cost-of-service study.

3 Q. Well, to your knowledge then, was an
4 analysis completed analyzing the cost of service to
5 schools in the cost-of-service study?

6 A. I cannot testify to the cost of service.
7 I performed the rate design.

8 Q. So you don't have any knowledge.

9 EXAMINER PRICE: I think he asked your
10 knowledge. Your proper answer should be, yes, I do
11 have knowledge or, no, I don't.

12 A. No, I do not have knowledge.

13 Q. Thank you.

14 MR. BREITSCHWERDT: Your Honor,
15 permission to approach again.

16 EXAMINER PRICE: Granted.

17 MR. BREITSCHWERDT: Your Honor, we would
18 like to mark this as Ohio Schools Council Exhibit 1,
19 it will also be utilized as part of our direct
20 testimony.

21 EXAMINER PRICE: So marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Just a few more questions, Mr. Hussing.
24 I recognize that you likely have not seen this

1 before, it wasn't part of any FirstEnergy -- part of
2 the FirstEnergy application, but subject to check
3 would you accept this as a typical school calendar?

4 A. I'm not an expert on schools.

5 Q. Understandably, but based on your review,
6 subject to check of this calendar and your own
7 personal knowledge of likely going to school at some
8 point in the past, would you agree a typical school
9 calendar begins sometime in August and ends around
10 the beginning of June?

11 A. There are a number of different schools
12 that have a number of different --

13 EXAMINER PRICE: Mr. Hussing.

14 Mr. Hussing, please answer the question directly.

15 A. From a general perspective, schools start
16 late in the year and end closer to a -- sometime in
17 the summer period.

18 Q. Okay. So generally the school period
19 does not include the summertime.

20 A. For some schools.

21 Q. For some schools, okay.

22 So in your analysis of designing the
23 rates, these distribution rates, you did not review a
24 school calendar as part of your analysis.

1 A. No, I did not.

2 Q. Thank you.

3 And you did not review a school calendar
4 in designing the contract demand provisions that
5 would be applicable to the schools under the proposed
6 rates.

7 A. Can you replay the question? Repeat the
8 question.

9 Q. Sure, I can repeat it. Did you not
10 review a school calendar in designing the contract
11 demand provisions that would be applicable to the
12 schools under the proposed rates?

13 A. I did not analyze schools.

14 MR. BREITSCHWERDT: Okay. No further
15 questions, your Honor.

16 EXAMINER PRICE: Thank you.

17 MR. BREITSCHWERDT: Your Honor, at this
18 time I would also ask that Ohio Schools Council
19 Exhibits 1 and 9 be admitted into evidence.

20 EXAMINER PRICE: We'll take care of that
21 at the end of this witness.

22 MR. BREITSCHWERDT: Thank you.

23 EXAMINER PRICE: Mr. Bentine.

24 - - -

CROSS-EXAMINATION

By Mr. Bentine:

Q. My name's John Bentine, and I'm representing the City of Cleveland in this proceeding. I have a few questions generally regarding revenue allocations.

First of all, would you agree with me that in determining revenue allocations among customer classes in a proceeding such as this it's important to align costs with rates for customer classes?

A. I would agree that that's one of the principles that should be addressed.

Q. And would you also agree with me that when you properly align costs and rates, it helps ensure fairness and helps to eliminate cross-subsidies between classes?

A. Once again, I would agree that that's one of the aspects that should be looked at.

Q. Would you also agree with me that appropriately aligning costs with rates sends proper price signals to consumers?

A. Once again, I would agree that that is one aspect that should be looked at.

1 Q. And would you agree with me that in
2 sending appropriate price signals to consumers it
3 serves the goal of appropriate resource allocation?

4 A. Can you restate that one more time?

5 Q. It serves the role of appropriate
6 resource allocation.

7 A. The full question, please.

8 Q. Excuse me. That when we properly align
9 costs and rates and send appropriate price signals,
10 that that serves the goal, societal goal, of
11 appropriate resource allocation.

12 A. I'm not sure what you mean by "resource
13 allocation."

14 Q. Well, if, for example, it costs \$1,000 to
15 provide distribution service to a new customer
16 perhaps and the company only charges \$50 for that,
17 then that's an inappropriate allocation of resources
18 because it encourages more people to take advantage
19 of that service.

20 A. I think what you're trying to say is that
21 it helps reduce subsidies across customers.

22 Q. No, that's not what I'm trying to say.
23 I'm trying to say in terms of resource allocation of
24 what customers are demanding and the demands they put

1 on the company, if you're charging \$50 for something
2 that costs \$,1000 to do, that's an inappropriate
3 allocation of resources.

4 A. The company is going to try and invest
5 resources based on what customers are requesting from
6 the company for distribution service. They're making
7 an investment at the customer.

8 Q. I understand that. If the company gives
9 away service that costs money for it to provide, is
10 that an appropriate allocation of the companies'
11 resources? "Yes" or "no."

12 A. The company doesn't give away resources.

13 EXAMINER PRICE: He asked you a "yes" or
14 "no" question, you should answer the question "yes"
15 or "no" and if you cannot, tell us you cannot. If
16 you have further information, Mr. Burk will take it
17 up on redirect.

18 A. Would you restate the question.

19 MR. BENTINE: Can I have my question
20 reread please, your Honor.

21 EXAMINER PRICE: Reread the question
22 please.

23 (Record read.)

24 A. The answer would be no, the company would

1 not try and -- that would be a situation that the
2 company would try not to come into.

3 Q. So the answer is no.

4 MR. BURK: He said "no" at the beginning
5 of his response.

6 Q. Mr. Hussing, have you reviewed the
7 revenue allocation proposal by Mr. Higgins on behalf
8 of the City of Cleveland?

9 A. I'm not familiar in depth with his
10 analysis here.

11 MR. BENTINE: I have no further
12 questions.

13 EXAMINER PRICE: Thank you.

14 OEG?

15 MR. K. BOEHM: No questions, your Honor.

16 EXAMINER PRICE: Mr. Howard.

17 MR. HOWARD: Yes, your Honor, thank you.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Howard:

21 Q. Good morning, Mr. Hussing.

22 A. Good morning.

23 Q. My name is Steve Howard, I'm here on
24 behalf of Constellation NewEnergy and Integrys, I've

1 got just a few questions for you. Would you turn to
2 Company Exhibit 13, Attachment GFH-2, page 6 of 31,
3 please.

4 A. Could you restate that one more time?

5 Q. Sure. Attachment GFH-2, page 6 of 31.

6 A. Just to make sure we're on the same page,
7 it's the rider RDC for Cleveland?

8 Q. That's correct, do you have that in front
9 of you?

10 A. Yes, I do.

11 Q. Great. If a customer is a residential
12 water heater customer prior to December 31, 2008, and
13 that customer takes power from a standard service
14 offer, would that customer get the 1.7-cent per kWh
15 residential distribution credit?

16 A. This is a distribution case so all
17 customers that take service under the provisions of
18 this tariff would get that discount.

19 Q. Okay. Yes, they would get that credit.

20 A. Your question was related to whether they
21 took generation, and this is a distribution case so
22 distribution doesn't change with who you shop with.

23 Q. If six months later there is an approval
24 of the residential distribution credit and that same

1 residential customer switches to a CRES provider but
2 otherwise maintains the water heater and otherwise
3 does not change their usage, would that 1.7-cent per
4 kWh credit be withdrawn by virtue of switching to a
5 CRES?

6 A. Once again, I think I answered that
7 before. This is a distribution case, and these
8 tariffs -- this tariff rider has no implication on
9 whether a customer's shopping or not shopping.

10 EXAMINER PRICE: I would like a "yes" or
11 "no" answer to that last question. Please read back
12 the question.

13 THE WITNESS: I apologize. I thought I
14 answered that clearly.

15 EXAMINER PRICE: It's probably just me,
16 but I would just like a "yes" or "no."

17 (Record read.)

18 A. One aspect of that question I'm not sure
19 of is when you have approval six months later,
20 approval of a residential credit, what are you
21 referring to?

22 Q. Okay. I'm referring to the residential
23 distribution credit rider that's displayed on
24 Attachment GFH-2, page 6 of 31.

1 A. The residential credit rider takes effect
2 January 1st, 2008 -- or, January 1st, 2009, so by
3 shopping the answer is if -- the answer is that a
4 customer, the rate -- could you replay the question?
5 I just want to be clear.

6 (Record read.)

7 A. No, the residential credit would not be
8 withdrawn from that customer.

9 EXAMINER BOJKO: Just to be clear,
10 Mr. Howard, you're saying six months, you mean after
11 this credit rider is approved, right?

12 MR. HOWARD: Yes.

13 EXAMINER BOJKO: Okay.

14 Q. Was that your understanding?

15 A. After we clarified what you meant by the
16 credit, that's what I was interpreting it as, once
17 the tariff's approved.

18 EXAMINER BOJKO: So that wouldn't be six
19 months from now, it would be 1/1/09, when it becomes
20 effective.

21 THE WITNESS: Right, when it becomes
22 effective.

23 EXAMINER BOJKO: Per the company's
24 application.

1 THE WITNESS: Correct.

2 Q. I'd like you now to turn to GFH-2, page 9
3 of 31.

4 EXAMINER BOJKO: Before we move off of
5 that, I may interrupt just since we're at this page.
6 Mr. Hussing, you keep telling us all morning that
7 this is a distribution rate case. So explain to me
8 why you have a residential distribution credit based
9 on kilowatt-hour usage.

10 A. Because the customers are metered with
11 kilowatt meters.

12 EXAMINER BOJKO: So you will look at
13 their generation usage in order to determine their
14 distribution credit.

15 THE WITNESS: The distribution tariffs
16 for residential are kilowatt-hour based as well, so
17 it's -- we're providing a distribution charge in
18 terms of kilowatt-hours and a distribution reduction
19 or credit in terms of kilowatt-hours.

20 EXAMINER BOJKO: So the answer is "yes."

21 THE WITNESS: Yes.

22 EXAMINER BOJKO: Okay.

23 THE WITNESS: My clarification was just
24 the word "generation."

1 EXAMINER BOJKO: It's their usage, right?

2 THE WITNESS: It's their usage.

3 EXAMINER BOJKO: Sorry, Mr. Howard.

4 MR. HOWARD: That's fine, your Honor,
5 thank you.

6 Q. (By Mr. Howard) Mr. Hussing, could you
7 now turn to page 9 of 31 of Attachment GFH-2.

8 A. The business distribution credit?

9 Q. Yes, sir.

10 A. For Cleveland?

11 Q. Yes. If a customer is a commercial
12 boiler customer prior to December 31, 2008, and that
13 customer switches to GS service, and then that
14 customer takes power from the standard service offer,
15 would that customer get the 1.5-cent per kWh credit?

16 A. When you refer to boiler credit, you're
17 referring to a schedule on the page?

18 Q. I'm sorry, I don't think I referred to a
19 boiler credit. I said if they were a commercial
20 boiler customer.

21 A. I'll rephrase, a boiler customer?

22 Q. Yes.

23 A. You're referring to a schedule on the
24 page?

1 Q. Yes.

2 A. Yes, they would get the discount.

3 Q. Okay. And if six months after the
4 approval of this rider BDC that same general -- that
5 same GS commercial customer switches to a CRES
6 provider but otherwise maintains boiler use and does
7 not change their usage, would they lose the 1.5-cent
8 kWh credit by virtue of switching to a CRES?

9 A. Again, once the tariffs become effective
10 and -- the answer is no.

11 Q. Does CEI own any generation facilities?

12 MR. BURK: I guess I'll object, your
13 Honor, as being beyond the scope of his prefiled
14 direct testimony.

15 EXAMINER PRICE: If he knows, he can
16 answer. Overruled.

17 A. I'm not sure what generation facilities,
18 I'm not an expert in generation facilities.

19 EXAMINER BOJKO: Could you reread the
20 question for me, please.

21 (Record read.)

22 Q. Who will supply the power for a standard
23 service water heater customer or an electric boiler
24 customer in my earlier questions?

1 MR. BURK: Again, your Honor, I'll
2 object. There's no way the witness could possibly
3 know that. That's the subject matter of a different
4 proceeding, the outcome has not yet been determined.

5 EXAMINER PRICE: Overruled.

6 A. I do not know.

7 Q. If a water heater or a boiler customer
8 took power from a CRES provider as opposed to an
9 auction or a contract supplier, would CEI be affected
10 financially?

11 MR. BURK: Again, I'll object. That's
12 well beyond the scope of this witness's testimony.
13 He's asked about a generation supplier.

14 EXAMINER PRICE: No, he's asking about
15 the distribution company. Overruled.

16 MR. BURK: Oh, okay. With that
17 clarification.

18 EXAMINER BOJKO: He said CEI, the
19 operating company.

20 MR. HOWARD: Thank you, your Honor.

21 A. From a distribution perspective the
22 company is going to collect revenues based on its
23 distribution -- proposed distribution schedules.

24 Q. Would the answer, then, to my question be

1 that CEI would not be affected financially?

2 A. The choice of supplier does not affect
3 distribution revenues.

4 MR. HOWARD: Thank you, your Honors. I
5 have no more questions.

6 Thank you, Mr. Hussing.

7 EXAMINER PRICE: Thank you. Seems like
8 an appropriate time to take lunch unless anybody
9 feels like we should keep going. I understand
10 Miss McAlister has a few questions.

11 Let's take lunch now. Let's get back
12 together at 1.

13 (At 11:40 a.m., a lunch recess was taken
14 until 1:00 p.m.)

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1 Wednesday Afternoon Session,
2 January 30, 2008.

3 - - -

4 EXAMINER PRICE: Let's go on the record.
5 Miss McAlister.

6 MS. McALISTER: Thank you, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Ms. McAlister:

10 Q. Good afternoon, Mr. Hussing. Please let
11 me know if you can't hear me or understand a
12 question.

13 EXAMINER BOJKO: I actually can't.

14 (Discussion off the record.)

15 EXAMINER BOJKO: Let's go on the record.

16 Q. Isn't it true that the companies provide
17 discounts in their current tariffs for voltage
18 discounts and equipment discounts?

19 A. That is correct.

20 Q. And is it true that the companies provide
21 service to some customers pursuant to contracts that
22 have been filed with and approved by the Public
23 Utilities Commission of Ohio?

24 A. Yes, that is correct.

1 Q. You just cut down some of my questions so
2 we'll be moving faster.

3 MS. McALISTER: Your Honor, at this time
4 I'd like to have marked as IEU-Ohio Exhibit 4.

5 EXAMINER PRICE: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 MS. McALISTER: May I approach the
8 witness?

9 EXAMINER PRICE: You may.

10 Q. Mr. Hussing, what I've just handed you
11 and it's been marked as IEU-Ohio Exhibit 4 is a
12 response by the company to IEU-Ohio's Discovery
13 Request Set 3, Question 17. Are you familiar with
14 this response?

15 A. Yes, I am.

16 Q. And you were responsible for preparing
17 the response?

18 A. Yes, I am.

19 Q. The response to this interrogatory
20 provides a table that sums each of the distribution
21 discount types for each of the rate schedules for
22 Toledo Edison for special contract -- I'm sorry, for
23 a total discount amount of 19,619,348; is that
24 correct?

1 A. That is correct.

2 Q. And the total discount amount includes
3 100 percent of each of the distribution discounts for
4 voltage, substation, transformer, and contracts for
5 all of Toledo Edison's rate schedules; is that
6 correct?

7 A. No, that is not correct.

8 Q. Could you explain why that's not correct?

9 A. It contains 100 percent of the
10 equipment-based or asset-based discounts such as
11 transformer, substation, voltage-based discounts, but
12 a portion, the distribution portion only of the
13 special contract discount.

14 Q. Okay. I believe my question referred to
15 distribution discounts, so with the word
16 "distribution" inserted does it include 100 percent
17 of the distribution discounts for voltage,
18 substation, transformer, and contracts?

19 A. Yes, it does.

20 Q. And there aren't any other categories of
21 distribution discounts other than voltage,
22 substation, transformer, and contract; is that
23 correct?

24 A. In this table?

1 Q. Yes.

2 A. That is correct.

3 Q. Are there any that are not on the table?

4 A. I was just trying to clarify your
5 question.

6 Q. But are there any that are distribution
7 discounts that are not reflected in the table?

8 A. No.

9 Q. And you might have just said this but
10 100 percent of all of the voltage discounts are
11 attributed to the distribution function of the
12 companies; is that correct?

13 A. That is correct.

14 Q. But there are portions of the total
15 contract discounts that Toledo Edison customers
16 receive that are not reflected in this chart because
17 they've been allocated to generation or transmission;
18 is that correct?

19 A. That is correct.

20 Q. So something less than 100 percent of the
21 contract discounts are included in the roughly
22 19.6 million amount, right?

23 A. That is correct.

24 Q. Do you know what percentage of the

1 contract discounts are included in the 19.6 million
2 amount as compared to the total contract discounts
3 for Toledo Edison customers?

4 A. I do not.

5 Q. Do you know how the companies allocated
6 the contract discounts between the distribution,
7 transmission, and generation functions?

8 A. They unbundled the discount like they
9 unbundled the fallback rate.

10 Q. Could you explain that in a little more
11 detail?

12 A. The fallback rate, if you think of a
13 total bill perspective, a certain portion of it's
14 distribution, a certain portion of that bill is
15 generation, a certain portion of that bill is
16 transmission, as an example. That fallback rate,
17 that contract -- the discount would have been
18 allocated based on those -- that fallback percentage.

19 Q. Referring you back to the table, this
20 table identifies the total distribution revenue for
21 Toledo Edison inclusive of the discounts and the muni
22 taxes comes to a total of 140,057,719, right?

23 A. That is correct.

24 Q. And the roughly 140 million is

1 distribution revenue for Toledo Edison, so it doesn't
2 include generation or transmission revenue, right?

3 A. That is correct.

4 MS. McALISTER: Your Honor, I'd like to
5 have an exhibit marked as IEU-Ohio Exhibit 5.

6 EXAMINER PRICE: So marked.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 MS. McALISTER: May I approach the
9 witness?

10 EXAMINER PRICE: You may.

11 Q. Mr. Hussing, what I've just handed you
12 that's been marked as IEU-Ohio Exhibit 5 is work
13 paper WPE4.1p, which is Toledo Edison's current
14 proposed mapping for the cost-of-service study. Are
15 you familiar with this document?

16 A. Yes, I am.

17 Q. And I just note for the record that this
18 is page 5 of 5.

19 Were you responsible for creating the
20 table that's set forth on this work paper?

21 A. Yes, I was.

22 Q. I'd like you to look specifically at the
23 first column which is called the "Total" column. The
24 first row reflects the total distribution revenue

1 amount that's carried over with some slight
2 differences perhaps for rounding from the response to
3 IEU-Ohio Set 3, Question 17, or approximately about
4 140 million dollars; is that right?

5 A. The 140 million number corresponds to the
6 first number in the upper left-hand corner of the
7 table marked "D. Muni, Voltage Discount."

8 Q. And that's the same number that was
9 listed in IEU-Ohio Exhibit 4 under the "Total" column
10 at the far right; is that correct?

11 A. That's correct.

12 Q. And in that same column on IEU-Ohio
13 Exhibit 5 the "Total" column, the fifth row down
14 identifies the total distribution revenues for Toledo
15 Edison of 146,140,224 once taxes are accounted for
16 which includes the total discount amount, right?

17 A. Yes, that would include the distribution
18 revenue plus kilowatt tax.

19 EXAMINER BOJKO: I'm sorry, did you say
20 that the bottom number, the 140,000 on Exhibit 4
21 should be the same as the 140,000 number on Exhibit 5
22 at the top left?

23 THE WITNESS: That's correct.

24 EXAMINER BOJKO: They're not the same.

1 THE WITNESS: There's a slight
2 difference.

3 EXAMINER BOJKO: What is that difference?

4 THE WITNESS: At this point in time I
5 can't clarify why there's that difference.

6 EXAMINER BOJKO: But they're
7 representative of the same thing.

8 THE WITNESS: They're representative of
9 the same number.

10 MS. McALISTER: Your Honor, at this time
11 I would like to have marked another IEU-Ohio exhibit,
12 No. 6.

13 EXAMINER PRICE: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. Mr. Hussing, what I've just handed you,
16 it's just been marked as IEU-Ohio Exhibit 6, is the
17 updated cost-of-service study, Schedule E3.2, for
18 Toledo Edison, it's the summary page 2. Are you
19 familiar with this document?

20 A. Can you clarify, this is the update
21 filing?

22 Q. Yes.

23 A. Or the current filing?

24 Q. There was no updated cost-of-service

1 study, so they are the same. Are you familiar with
2 the document?

3 A. Yes, I am.

4 Q. On the first column, the "Total Retail"
5 column, about halfway down the total tariff revenue
6 amount roughly matches the 146 million amount from
7 work paper WPE4.1p; is that correct?

8 A. That's correct.

9 Q. That amount's inclusive of 100 percent of
10 the distribution discounts for voltage, substation,
11 transformer, and contracts, or the roughly 19 million
12 from the response to IEU-Ohio Interrogatory Set 3,
13 Question 17; is that correct?

14 A. That is correct.

15 MS. McALISTER: Your Honor, I'd like
16 another IEU-Ohio exhibit marked as No. 7.

17 EXAMINER PRICE: So marked.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. Mr. Hussing, what I've just handed you
20 that's been marked as IEU-Ohio Exhibit 7 is Toledo
21 Edison's Updated Schedule E-4 (Current) page 1 of 1.
22 Are you familiar with this document?

23 A. Yes, I am.

24 Q. And you were responsible for supporting

1 this document; is that correct?

2 A. That is correct.

3 Q. And the Schedule E-4 is a summary of what
4 appears in Updated Schedule E-4.1 (Current), correct?

5 A. That is correct.

6 MS. McALISTER: Your Honor, I've got
7 another exhibit to mark, IEU-Ohio Exhibit 8.

8 EXAMINER PRICE: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. Mr. Hussing, what I've just handed you
11 that's been marked as IEU-Ohio Exhibit 8 is updated
12 Schedule E-4.1 (Current), page 28 of 48.

13 A. That is correct.

14 Q. That worksheet identifies that customers
15 on the large general service rate receive a voltage
16 discount of 4,288,581, a contract discount of 77,849;
17 is that correct?

18 A. That is correct.

19 Q. And if you were to examine each of the 48
20 pages that comprise the Updated Schedule E-4.1
21 (Current), you find numerous instances in which
22 specific existing rate schedules are identified as
23 providing some type of discount; is that correct?

24 A. That is correct.

1 Q. And if I were to add up all of the
2 specific discounts that appear in the individual
3 pages that make up Schedule E-4.1 (Current), the
4 total discounts should be equal to what appears on
5 the response to IEU-Ohio Interrogatory Set 3,
6 Question 17; is that correct?

7 A. The only difference is that the schedule
8 that you have in front -- oh, this schedule here is
9 the current, so they would add up to that number,
10 that is correct. Excuse me. It's -- in the upper
11 left-hand corner it says "3 Months Actual - 9 Months
12 Estimated." You're comparing the update filing to
13 the current filing, so they wouldn't add up exactly.

14 Q. Would the differences be minor?

15 A. Yes, they would.

16 Q. And we could look at the updated schedule
17 E-4.1 for CEI and Ohio Edison and total up each of
18 the various discounts that are found in those
19 schedules and compare the total amounts to those
20 listed in Schedule E-4 for CEI and Ohio Edison
21 respectively and they should be the same, right?

22 A. Very close.

23 Q. Okay, I'm going to turn your attention
24 now back to contract discounts, and I'm going to use

1 Toledo Edison as an example again.

2 A. One clarifying comment is that in the
3 update filing there were additions made to the
4 special contract discounts, so the numbers won't tie
5 exactly.

6 Q. What were those updates?

7 A. In the updates for the update filing we
8 included some special contract discounts that were
9 not included in the initial filing, that were missed,
10 and that's stated in my testimony.

11 MS. McALISTER: Your Honor, at this time
12 I'd like to have marked IEU-Ohio Exhibit 9, I
13 believe.

14 EXAMINER PRICE: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Mr. Hussing, what I've just handed you is
17 response to IEU-Ohio Interrogatory Set 1, Question
18 11. Are you familiar with your response to this
19 interrogatory?

20 A. Yes, I am.

21 Q. And you were responsible for responding?

22 A. Yes, I am.

23 Q. And in this response you indicated that
24 the Toledo Edison contract revenues were negative

1 because the test year revenues for the customer class
2 include distribution discounts that exceed the amount
3 of revenue from distribution revenues; is that
4 correct?

5 A. That is correct.

6 Q. But in Attachment 1 to the response to
7 IEU-Ohio Request for Production of Documents Set 1,
8 Question 11, which is attached to this exhibit,
9 there's a table that depicts a breakdown of the total
10 net test year and distribution revenues for special
11 contract customers served by Toledo Edison; is that
12 correct?

13 A. Yes, by special contract customers, as
14 the title says.

15 Q. And then the third column under the
16 heading Distribution Discounts the total distribution
17 discount amount is 7,023,868; is that correct?

18 A. That is correct.

19 Q. And the footnote to the distribution
20 discount column in the table indicates that there are
21 distribution discounts which include voltage,
22 substation, transformer discounts, as well as special
23 contract discounts; is that correct?

24 A. That is correct.

1 MS. McALISTER: Your Honor, can I have
2 another exhibit marked as IEU-Ohio Exhibit 10?

3 EXAMINER PRICE: You may.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Hussing, what I've just handed you
6 that's been marked as IEU-Ohio Exhibit 10 is the
7 company response to IEU-Ohio Interrogatory Set 2,
8 Question 39. Are you familiar with the response to
9 this?

10 A. Yes, I am.

11 Q. And you were responsible for providing
12 the response?

13 A. Yes, I am.

14 Q. In this interrogatory IEU-Ohio asked you
15 to break out the specific amounts by customer class
16 that are associated with voltage, substation,
17 transformer, and contract discounts that sum to the
18 totals that are listed in response to IEU-Ohio's
19 Request for Production Set One, Question 11 or
20 roughly 7 million, which you did in the table that
21 responds to this interrogatory; is that correct?

22 A. That's correct.

23 Q. And the total revenues from contract
24 customers that are served by Toledo Edison is a

1 negative 3,377,761; is that correct?

2 A. That is correct.

3 Q. Okay. If you could turn back, please, to
4 what's been marked as IEU-Ohio Exhibit 4, which is
5 FirstEnergy's Response to IEU-Ohio Interrogatory Set
6 3, Question 17. Do you have that in front of you?

7 A. One minute.

8 Q. Sure.

9 A. Can you explain what it looks like? I
10 wasn't marking all of them with the exhibit number.

11 Q. Sure. It's in the upper right-hand
12 corner, it says "IEU-Ohio Set 3," and the second page
13 is a table, it's a little bit blotted out, but it
14 says "Attachment 1" in the upper right-hand corner
15 above the table.

16 MR. BURK: IEU Set 3, Question 17.

17 THE WITNESS: Yeah, IEU Set 3, Question
18 17.

19 Q. Do you have that?

20 A. Yes. IEU Set 3, Question 17, Attachment
21 1.

22 Q. Yes, that's right.

23 In this response the companies produced a
24 schedule that identified how the total amount of the

1 distribution revenues, municipal tax, and discounts
2 were derived as listed on work paper WPE4.1 at page 5
3 of 5, right?

4 A. Could you repeat the question, please?

5 MS. McALISTER: Could you read it back,
6 please.

7 (Record read.)

8 A. That is correct.

9 Q. And specifically in the case of Toledo
10 Edison, for example, the companies' response
11 identifies that the contract customers mapped to rate
12 GT are providing \$3,537,611 in distribution revenues,
13 zero in municipal taxes, and received discounts
14 totaling \$8,810,689, and when these amounts are
15 summed for the purpose of the cost-of-service study,
16 this class of customers is identified as providing
17 negative \$5,273,078 in distribution revenues; is that
18 correct?

19 A. Yes, that is correct, the net
20 distribution revenue is negative.

21 Q. If you know, does a negative revenue
22 amount from Toledo Edison's contract customers mean
23 that the customers are receiving free distribution
24 service?

1 A. No, it doesn't mean that they're
2 receiving free distribution service. What it
3 indicates is that there is a subsidy that's happening
4 for the large transmission users that are classified
5 as taking service on transmission.

6 When you look at the large general
7 service schedule in total, under the current rate
8 schedule, then the net distribution revenue is
9 positive. So what it means is there's a subsidy
10 between the customers taking service under the
11 current rate schedule and when they're mapped to the
12 proposed rate schedule; when you carve those
13 customers out, the distribution discount is
14 proportionately higher for those customers than the
15 customers on that rate schedule that take service
16 from a lower voltage.

17 Q. Turn your attention now to your
18 supplemental testimony. Do you have that in front of
19 you?

20 MR. BURK: Did you say his Supplemental
21 Testimony?

22 MS. McALISTER: Yes.

23 MR. BURK: Thank you.

24 A. Yes, I have it.

1 Q. At page 2, line 22 which carries over to
2 page 3 of your Supplemental Testimony you indicate
3 that under the companies' proposal the GS customers
4 would get a significant rate decrease under the
5 companies' proposal, and staff's proposed adjustments
6 will result in an even more sizable decrease for the
7 GS customers; is that correct?

8 THE WITNESS: Could you read back the
9 question one more time?

10 (Record read.)

11 A. That is correct, when looking at a total
12 bill.

13 Q. Would you agree that your statement's
14 only true if you include the effect of the regulatory
15 transition charge dropping off?

16 A. I would agree.

17 Q. In response to a question that I believe
18 Mr. Lavanga asked, he asked whether FirstEnergy
19 considered a fallback provision for customers who
20 wanted to take generation service. Do you recall
21 that?

22 A. Yes, I do.

23 Q. If you know, isn't the company
24 statutorily obligated to provide a standard service

1 offer that incorporates a firm generation supply?

2 A. I'm not aware of the statutory law.

3 Q. I'm not sure now who it was but I believe
4 somebody also asked you about interruptible service.
5 If a customer takes interruptible service, isn't it
6 possible that it would reduce the amount of overall
7 distribution facilities the company would need to
8 install to serve its entire load?

9 A. No, that would not be correct.

10 Q. Why is that not correct?

11 A. Number one, the company needs to install
12 the capacity required by the customer that the
13 customers use in their peak at any point in time.
14 Customers then on interruptible rates from a
15 distribution perspective need -- they facilitate
16 peaks when they're not interrupting or whether
17 they're interrupting, the facilities, the
18 distribution facilities, need to be -- are there for
19 the customer to take -- to require the customer's
20 load, take care of the customer's load.

21 Also, interruptible contracts, a great
22 degree of them also buy through, so they may not
23 interrupt at all. And another point that I can think
24 of is most of the interruptible customers take

1 service at transmission and utilize very little or
2 have little effect on the distribution secondary and
3 primary systems.

4 Q. Mr. Hussing, if you know, does the
5 company have any service options that cycle air
6 conditioning or water heating loads?

7 A. We have an experimental program with
8 cycling air conditioning.

9 Q. Mr. Hussing, are you an electrical
10 engineer?

11 A. I have a Bachelor's in electronic
12 technology.

13 Q. Have you ever designed a distribution
14 system?

15 A. I am not a distribution engineer.

16 MS. McALISTER: Could we have just a
17 minute, your Honor?

18 EXAMINER PRICE: Yes.

19 Q. Mr. Hussing, I think you were here for
20 Miss Chatman's testimony yesterday.

21 A. Yes, I was.

22 Q. She punted a question to you, which I'm
23 going to ask you now, and I think that will wrap it
24 up for me today. If the PUCO doesn't approve cost

1 recovery for an AMI or smart metering program, will
2 the companies pursue it?

3 A. The companies are interested in
4 analyzing, you know, cost-effective AMI solutions and
5 cost recovery would be a very important part of that,
6 and if there was not cost recovery in that, the
7 company would probably not engage in an AMI solution.

8 MS. McALISTER: I think that's all the
9 questions I have.

10 Thank you, Mr. Hussing.

11 EXAMINER PRICE: Thank you.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Reese:

15 Q. Good afternoon, Mr. Hussing. I'm Rick
16 Reese from the Ohio Consumers' Counsel. I just have
17 several questions for you.

18 MR. BURK: Mr. Reese, could I ask you to
19 use a microphone?

20 MR. REESE: No.

21 MR. BURK: I guess I can ask.

22 MR. WHITT: We need to switch sides then
23 so you have the fan.

24 MR. REESE: Is that better?

1 MR. BURK: Much better, thank you.

2 Q. Mr. Hussing, are you familiar with the
3 work of Professor Bonbright authors of Principles of
4 Public Utility Rates?

5 A. I am familiar with his book, I'm
6 familiar, I'm not a -- don't know his book by heart,
7 but I'm familiar with the book.

8 Q. Okay. I'm going to show you a passage
9 from his book, but for now Professor Bonbright in his
10 second edition of the Principles of Public Utility
11 Rates listed fairness as one of the cost-related
12 attributes of a sound rate structure.

13 MR. REESE: If I might approach, your
14 Honor, I'd like to show this to the witness.

15 EXAMINER PRICE: You may.

16 Q. Mr. Hussing, could you read that section
17 for me, please, that I have highlighted?

18 A. "Fair cost apportionment objective, which
19 invokes the principle that the burden of meeting
20 total revenue requirements must be distributed fairly
21 and without arbitrariness, capriciousness and
22 inequities among the beneficiaries of the service and
23 so, if possible, to avoid undue discrimination."

24 Q. Thank you.

1 Did FirstEnergy -- with this passage in
2 mind did FirstEnergy apply or attempt to apply the
3 principle of fairness in designing the proposed
4 residential service rate in this rate case?

5 MR. BURK: Can I just ask a clarifying
6 question? When you say the "principle of fairness,"
7 do you mean the quote he just read?

8 MR. REESE: Based on that quote.

9 MR. BURK: Well, I mean, when you say
10 "principle of fairness," do you mean something
11 different than that quote?

12 MR. REESE: No.

13 MR. BURK: Okay. Thank you, I just
14 wanted to clarify that.

15 A. FirstEnergy in designing the rates
16 attempted to use not only fairness but a number of
17 other objectives such as recovering costs and also
18 reasonableness in simplicity in looking at its --
19 designing its new rate structure for distribution.

20 Q. Okay. The concept of gradualism you
21 mention several times in your testimony beginning I
22 believe at page 3 of your testimony. Can you explain
23 the concept of gradualism that you've utilized in
24 putting these rate structures together?

1 A. The concept of gradualism and how we used
2 it in the rate structures, No. 1, we looked at the
3 customer impact from a total bill perspective so when
4 we looked at the changes that were going to occur in
5 the standardization of rates moving to fewer rates
6 than we have simplifying the rate structure and
7 looking at it from a distribution perspective, and
8 also looking at the removal or partial removal of the
9 regulatory transition charges and the transition rate
10 credit, and we looked at that, and when you then
11 utilize that with the objective of the cost of
12 service and looking at a distribution allocation of
13 revenues across the new rate schedules of how to
14 provide the -- to mitigate the impacts on the
15 customers' total bill.

16 Q. Now, one of the things you've done is
17 you've combined all the residential rate schedules
18 into one. Are there certain residential customers on
19 some of these rate schedules that are being
20 eliminated that are harmed more than others by moving
21 to a single rate schedule?

22 A. The word "harmed," I'm not sure what you
23 mean by that.

24 Q. Affected differently.

1 A. Affected differently. The current rate
2 schedules, the answer is they're all -- yes, they're
3 all affected differently.

4 Q. Can you give me some examples based on
5 some of the existing rate schedules that are being
6 eliminated?

7 A. I don't have the rate schedules in front
8 of me.

9 Q. Does anything come to you off the top of
10 your head?

11 A. Well, the reason the company put together
12 the residential distribution credit rider is to help
13 mitigate those affected rates that were primarily
14 heating type of rates or rates that were created when
15 the rates were bundled and carried forward on the
16 unbundled and to a great extent many of them
17 grandfathered. We created the distribution credit
18 rider to help mitigate the effectiveness or the
19 effected distribution increase on those schedules.

20 Q. And a residential customer that had been
21 or is still on the like an all-electric rate would be
22 one of those people that would be affected by this
23 residential distribution credit rider?

24 A. That is correct. And those schedules

1 that would be applicable to the residential
2 distribution credit rider are named on the rider.

3 Q. And the amount of the rider is based on
4 which schedule that they're grandfathered into
5 currently; is that correct?

6 A. No.

7 Q. It's the same no matter which of those
8 rate schedules they were on?

9 A. That is correct.

10 Q. Okay. On page 7 of your testimony at
11 line 9.

12 MR. BURK: Is that Direct or
13 Supplemental?

14 MR. REESE: I'm sorry. It's Direct.

15 MR. BURK: Thank you.

16 Q. On page 7, line 9 of your Direct
17 Testimony you have the statement "Distribution rates,
18 all else being equal, should be based on a customer's
19 demand as opposed to customer usage levels." Do you
20 see that?

21 A. Yes, I do.

22 Q. Why is that?

23 A. To best reflect costs of the distribution
24 system.

1 Q. Are there any distribution costs that do
2 not vary with the level of usage?

3 A. A distribution system is a fixed asset
4 based system which means that the facilities
5 installed are required to meet the customers' peak
6 demand which doesn't vary by time or day or by
7 season.

8 Q. Does an individual customer's usage put
9 more strain on the distribution system?

10 A. An individual customer's usage takes up
11 capacity on the distribution system.

12 MR. REESE: That's all I have.

13 EXAMINER PRICE: Staff?

14 MR. JONES: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Jones:

18 Q. Good afternoon, Mr. Hussing. I'm John
19 Jones on behalf of the staff of the Commission. I'll
20 go back to the applicability of the distribution
21 credits for both residential and business. One of
22 the rate schedules currently eligible for the
23 business credit is the electric space conditioning
24 schedule; is that correct?

1 A. So I'm clear, which company are you
2 talking about?

3 Q. CEI.

4 A. Yes, it is.

5 Q. And the current electric space
6 conditioning schedule is available to present
7 customers who receive the service as of June 9th,
8 2004, and is a full-service customer. Does "full
9 service" mean not shopping?

10 A. Full service, it doesn't -- in order to
11 get on this rate structure, it doesn't matter if the
12 customer is shopping or not shopping. Or let me
13 clarify this. It's that the -- can you repeat your
14 question so I'm clear?

15 Q. Yeah. For a full service, does that mean
16 you're not shopping under someone who's been a
17 customer since June 9th, 2004, and they're a
18 full-service customer?

19 A. If they're a full-service customer --

20 Q. Right.

21 A. -- now and they're a full-service
22 customer, you know, after December 31st, 2008, they
23 will take -- they could take service -- they can fall
24 under the applicability section of the rider.

1 EXAMINER PRICE: Can you define what a
2 full-service customer is for the Bench?

3 THE WITNESS: A full-service customer is
4 one who's taking service, generation service from the
5 company.

6 Q. What if they're a full-service customer
7 as of 12/31/08 but then after January 1st of '09,
8 they go out and shop?

9 A. Then when they go out and shop --

10 Q. Does the credit still apply?

11 A. Then they are no longer on the
12 residential distribution -- they're no longer on the
13 applicability of that rate schedule. They would fall
14 back to the standard service schedule.

15 EXAMINER BOJKO: Can you repeat that or
16 reread his question and answer?

17 (Record read.)

18 EXAMINER BOJKO: Did you say
19 "residential" and then you changed your answer?

20 (Record read.)

21 THE WITNESS: Can I have one moment so I
22 can read the rider?

23 EXAMINER PRICE: Yes.

24 Go ahead.

1 THE WITNESS: The only way that I read
2 the tariff for a customer to be removed from the
3 distribution -- either the residential distribution
4 credit rider or the business distribution credit
5 rider would be if they were to close their service.

6 EXAMINER PRICE: Therefore, changing to a
7 CRES provider would not be something to cause them to
8 lose the credit.

9 THE WITNESS: That is correct.

10 MR. JONES: That's all I have.

11 - - -

12 EXAMINATION

13 By Examiner Bojko:

14 Q. In your response to that answer does the
15 certain -- I guess there are certain rate schedules,
16 space heat, water heating, optional time of day, all
17 of those, and that's what you're defining as full
18 service?

19 A. Full service means -- full service means
20 that they're taking generation service from the
21 company.

22 Q. Right. So that's what your -- that's how
23 these are defined, that if they were taking full
24 service, G and D, as of December 31st, 2008, then

1 they would get the credit.

2 A. If they were taking service from these
3 rate schedules, yes.

4 Q. Full service requirements.

5 A. Yes.

6 EXAMINER PRICE: Okay. I'm going to try
7 this and you tell me if I get this wrong. Referring
8 to Attachment GFH-2, page 7 of 31. Are you there?

9 These are a number of rate schedules,
10 these are, today, absent Commission action, full
11 service requirements rate schedules; is that correct?

12 THE WITNESS: That's correct.

13 EXAMINER PRICE: Anybody who's on them as
14 of December 31st will get the residential
15 distribution credit even if after December 31st,
16 2008, they switch to a CRES provider.

17 THE WITNESS: To the best of my knowledge
18 that is correct.

19 EXAMINER PRICE: And that would apply
20 equally to comparable credits for CEI and Ohio
21 Edison.

22 THE WITNESS: To the best of my
23 knowledge, that is correct.

24

1 Q. (By Examiner Bojko) You're eliminating
2 these special discount tariffs to these types of
3 customers, right, in this proceeding?

4 A. We're eliminating -- the current full
5 service rates will all be moved to a standard
6 residential rate.

7 Q. So you're removing, eliminating the
8 special treatment of these special customers.

9 A. That is correct.

10 Q. So unless they stay on the standard
11 service offer yet to be determined, they have to find
12 generation service somewhere else.

13 A. That is correct.

14 EXAMINER BOJKO: Sorry, Mr. Jones.

15 MR. JONES: That's all I have.

16 EXAMINER PRICE: Redirect?

17 MR. BURK: I don't believe we have any,
18 your Honor, thank you.

19 EXAMINER BOJKO: We're going to take a
20 five-minute break, and then we'll have some more
21 questions for you.

22 (Recess taken.)

23 EXAMINER PRICE: Let's go back on the
24 record.

1 Q. (By Examiner Bojko) Mr. Hussing, I want
2 to continue along the lines of what we were just
3 discussing about some of the current tariff schedules
4 that are being eliminated, and earlier we were
5 talking about the schools' tariff, and would that be
6 the same, do they have a full requirements -- full
7 service requirements tariff that is being eliminated
8 as well?

9 A. The school tariff is going to be
10 eliminated and moved to general service
11 secondary/primary schedule.

12 Q. But currently in place is it a bundled
13 rate for that tariff?

14 A. It's a separate rate schedule in the
15 companies' current -- for CEI and Toledo there's a
16 small school rate and large school rate.

17 Q. Which includes generation?

18 A. Which includes generation if you take
19 service from the company.

20 Q. Okay. And that bundled rate is what is
21 considered to have a discount that we were talking
22 about before, it's a discounted rate? The tariff is
23 a discounted rate?

24 A. I wouldn't classify that as a -- the

1 school rate was unbundled from the bundled rate. I
2 can't attest to, you know, whether it's discounted or
3 not.

4 Q. Well, what do you mean by that unbundled?
5 Do you mean the current rate is unbundled or this
6 filing unbundled it?

7 A. No; the current rate from back from
8 restructuring like all the other rate schedules, at
9 the time of restructuring all the rate schedules were
10 bundled, it was unbundled just like the other rate
11 schedules into generation, distribution, and
12 transmission.

13 EXAMINER PRICE: Is it a full requirement
14 rate?

15 THE WITNESS: Full requirement, yes, it's
16 a full requirement rate.

17 Q. That's what we're trying to figure out.

18 EXAMINER PRICE: Just for my own
19 confusion, you're still saying it's still an
20 unbundled rate even though it is a full requirement
21 rate; is that correct?

22 THE WITNESS: Yes. We're getting
23 confused on this word "full requirement."

24 Q. Well, because components are identified

1 separately in the tariff. Is that what you're making
2 the distinction of?

3 A. Yeah.

4 Q. Okay. But they take service from only
5 one tariff which includes all of the three unbundled
6 components.

7 A. The schools take service, there's two
8 school rates for each company, small school and a
9 large school.

10 Q. Each of those tariffs, one for the large
11 and one for the small, have one tariff that lists
12 three components meaning the unbundled components G,
13 D, and T.

14 A. That's correct.

15 Q. And the schools have been taking service
16 of this one tariff since restructuring, as you would
17 say since they were just unbundled, but it's one
18 tariff and that occurred under Senate Bill 3, right?

19 A. Yeah, schools take service under not
20 only -- in Toledo and Cleveland, the Toledo and
21 Cleveland operating companies, schools take service
22 not only under the standard small general service or
23 general service schedule, or the school schedule, not
24 all schools take service under the small or large

1 school rate.

2 EXAMINER PRICE: Can you assign just
3 approximate percentages as to which ones don't take
4 it under the small or large schools?

5 THE WITNESS: I don't have that with me
6 today.

7 EXAMINER PRICE: Best estimate.

8 THE WITNESS: For example, can I give you
9 some verification? For example, in CEI, Cleveland,
10 more schools may take service under the general
11 service or small general service schedule because the
12 school distribution component may be higher. So the
13 school rate may be -- so they take service under
14 which schedule they feel is most economic for them.

15 Q. (By Examiner Bojko) And regarding the
16 discussion we had earlier, you are no longer going to
17 offer that tariff that has the three components. You
18 are eliminating that tariff, and you're creating a
19 new tariff that will only list the distribution
20 component.

21 A. That is correct.

22 Q. And so then the schools or anybody else
23 that's in that same type of position would be taking
24 distribution service from the operating companies,

1 and then they would be on their own to find a
2 generation source.

3 A. They would -- yes, they would be on --
4 they would have the decision on their generation.

5 Q. And with some of your -- you said not all
6 schools would be on the school tariff because it
7 might be economically better to be on the different
8 tariff, but the schools that are on the school tariff
9 probably chose that for an economic benefit meaning
10 that they believe they have a discount over a normal
11 generation, distribution, transmission rate; is that
12 fair?

13 A. I believe that would be fair.

14 EXAMINER PRICE: The purpose of your
15 business distribution credit and your residential
16 distribution credit as I understood it, taking the
17 idea of gradualism, was to kind of transition people
18 away from their former tariff schedules to their new
19 ones; is that correct?

20 THE WITNESS: That is correct.

21 EXAMINER PRICE: Is there any provision
22 that would apply to the schools, any credit that
23 would apply to the schools to transition them away
24 from their school tariffs to the new tariff rates?

1 THE WITNESS: That has not been proposed.

2 Q. (By Examiner Bojko) So they wouldn't fall
3 under, and I haven't looked at the exact schedules
4 identified, but they wouldn't fall into the business
5 distribution credit?

6 A. No, they would not. If you look at those
7 schedules, those are primarily heating.

8 EXAMINER PRICE: Does that apply to
9 interruptible customers as well, that there's no
10 transaction, there's no requirement of transition
11 down from their current interruptible tariffs to the
12 new tariff rates?

13 THE WITNESS: That is correct.

14 Q. And would all of the schools be taking
15 service pursuant to these types of what we've been
16 calling full requirements tariffs as opposed to any
17 kind of special contracts?

18 A. Can you say that one more time?

19 Q. Do any of the schools -- are all schools
20 taking from a tariff, taking service from a tariff,
21 or do some schools have special contracts?

22 A. Some schools take service from a special
23 contract and some schools take service from
24 nonspecial contract or tariff.

1 EXAMINER PRICE: Are there any full
2 requirements tariff schedules remaining after the
3 companies' application?

4 THE WITNESS: No.

5 Q. You obviously -- you were considering, as
6 you state in your testimony, gradualism when you were
7 looking at removing residential customers that
8 clearly must have a special or a discounted rate
9 because you're giving them a credit to try to offset
10 the difference and try to assist those residential
11 customers. So you're saying that you didn't look at
12 that theory of gradualism for the schools when you
13 considered doing a credit?

14 A. Well, we looked at the residential
15 distribution credit rider and the business
16 distribution credit rider, we were looking at
17 schedules that were related to heating and process
18 heating. That was the focus. Because those were,
19 for the majority part, grandfathered rates that were,
20 you know, developed based from a generation
21 perspective as the incentive for those rates.

22 EXAMINER PRICE: You need to explain to
23 me why gradualism would only apply to heating.

24 THE WITNESS: Well, when you look at --

1 also if you would take a look at the E5 schedules
2 that the company proposed, when you look at the --
3 when I talked about gradualism, I also talked about
4 the effect of the total bill and the effect of
5 regulatory transition charge, you know, in concert
6 with the distribution increase.

7 When you look at the regulatory
8 transition charge for commercial customers as opposed
9 to residential customers, there is a much larger
10 proportion of regulatory transition charges that come
11 off for general service customers as residential
12 customers. It's significantly different. So there's
13 more regulatory transition charges coming off for
14 commercial customers than there is for -- in
15 proportion for residential customers.

16 EXAMINER PRICE: And that would apply to
17 schools?

18 THE WITNESS: And that would apply to
19 schools.

20 EXAMINER PRICE: And interruptible
21 customers.

22 THE WITNESS: That is correct.

23 Q. (By Examiner Bojko) We've been talking a
24 lot about schools today, but are there any other of

1 those tariffs out there that are offering all three
2 of the unbundled components to a customer that is now
3 being eliminated? Nonresidential.

4 A. Once again, can I hear the question
5 again?

6 Q. Are there other customers that are
7 similarly situated to the schools? We've only been
8 talking about the schools today.

9 A. I mean, all general service customers are
10 similarly situated. They're on a current rate
11 schedule, and they're moving to a common rate
12 schedule based upon how they take service.

13 Q. But are they on a current full, what
14 we've been calling "full service requirement"?

15 A. Yes. All the -- yes, they are.

16 Q. I have some questions that Miss Chatman
17 punted to you as well. We were talking with
18 Miss Chatman, I haven't looked at the transcript, I'm
19 sure you did, but we were talking to Miss Chatman
20 about the life of meters and I believe the Commission
21 was proposing 30, 34-year life, and the company was
22 only proposing 10-year life. Do you recall that?

23 A. I remember. Yes, I do.

24 Q. And I had asked Miss Chatman what the

1 actual life of a meter was, and she said that she
2 believed it was approximately 30 years. Is that your
3 understanding as well?

4 A. My understanding is in the conversation
5 of what the company has from its -- from what its
6 classifying a booked value of a meter, you know, I
7 can seek to explain where I think Miss Chatman was
8 and the company's position is trying to go.

9 Q. No, I understand the 10-year, why you
10 were suggesting a 10-year, because of technology
11 advances. I'm asking what a regular meter -- what
12 you believe the life of a meter is regardless of
13 technology changes.

14 A. The life of a meter has been debated now
15 for the last six to seven years in the industry in
16 that electromechanical meters were the standard meter
17 which means they didn't have any electronic
18 components, it was strictly gears and electro-motor
19 force that turned the spinning of the meter. They
20 were mechanical meters, strictly mechanical devices.

21 Over the last five to six years, meter
22 manufacturers have, to a great extent, stopped making
23 electromechanical meters so now what utilities are
24 buying for a majority part electronic meters, in

1 fact, they're almost 100 percent all electronic, and
2 that has been the debate where, you know, plant in
3 service has been -- was a 30-year life because that
4 was the way it is forever and now the turmoil is what
5 is the appropriate life for an electronic meter.

6 Well, we haven't reached the 30-year
7 point for when the majority of electronic meters have
8 now been in place, but electronics, as anything, are
9 exposed to lightning, they're exposed to weather, and
10 they have a -- they do have a shorter lifespan than
11 an electromechanical meter because of the electronic
12 chips and the components and the LEDs that are
13 prevalent to go bad.

14 Q. But the industry standard is still listed
15 as 30 years for plant in service?

16 A. There are recommendations for moving that
17 life to a different lifespan. I've seen, you know,
18 different recommendations that the lifespan be
19 shorter for electronic meters, but since a utility
20 has a mixture of meters, they're all still being
21 classified as in one plant and that's still the
22 existing plant life of 30 years.

23 Q. So but the company, when you say you have
24 a mixture, you're not going and replacing customers'

1 meters that are currently operating correctly.
2 You're just replacing with newer technology meters
3 that have failed in some way or are new.

4 A. Well, the company replaces meters
5 constantly, not only for meters that fail, but it
6 also is required to replace meters on a certain life
7 cycle.

8 Q. 30-year life cycle?

9 A. No, it's actually on like a 12-year life
10 cycle.

11 Q. And when was the last time that the
12 company actually went out and replaced all meters
13 because of a new technology? Has there ever been a
14 case where you didn't follow your 12-year cycle and
15 you went out of cycle to replace the meters because
16 of a new, improved technology?

17 A. I can't recall of a situation where they
18 replaced all the meters because of a new technology.

19 Q. And are you proposing or is the company
20 proposing to replace the existing meters with new
21 technology advanced meters?

22 A. The company does not presently have a
23 plan to replace meters in a very short period of
24 project cycle like a three-year plan to replace all

1 its meters, but over time it will replace all its
2 meters.

3 Q. But I think I heard you say previously
4 today that the company would only replace meters
5 based on the AMI proceeding if you received cost
6 recovery from the Commission; is that right?

7 A. That is correct.

8 Q. So if you're not ordered to replace the
9 meters and you're only going to do it if you get cost
10 recovery, then why would the 10-year cycle or life
11 even be proposed in this proceeding?

12 A. I could think of two reasons, one is the
13 company has to plan for what it's doing presently and
14 it also needs to plan for what it's going to do in
15 the future. So getting cost recovery or accelerated
16 depreciation may benefit the cost-benefit analysis of
17 a future AMI proposal because that would be
18 considered one of the costs of an AMI installation.

19 Secondly, that with this explanation of
20 its putting electronic meters in is what it's putting
21 in as all of its meters to more appropriately reflect
22 the life of the meters that it's installing.

23 Q. Well, if the Commission ordered the
24 replacement of such meters and you got cost recovery

1 for that replacement, would you then discount your or
2 lower -- reduce the amount that you request for cost
3 recovery if you're granted accelerated depreciation
4 in this case?

5 A. I think that would be an option, yes.

6 EXAMINER PRICE: Thank you, you're
7 excused.

8 Mr. Burk.

9 MR. BURK: Yes, your Honor.

10 EXAMINER PRICE: Exhibits.

11 MR. BURK: Oh, I'm sorry.

12 EXAMINER PRICE: That's okay.

13 MR. BURK: At this time, your Honor, I
14 would move the admission of Company Exhibit 13, which
15 is the Direct Testimony of Mr. Hussing, 13A, which is
16 the Update Testimony of Mr. Hussing, and 13B which is
17 the Supplemental Testimony of Mr. Hussing filed in
18 this proceeding.

19 EXAMINER PRICE: Any objections from any
20 party?

21 Those exhibits will be admitted.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER PRICE: Mr. Breitschwerdt.

24 MR. BREITSCHWERDT: Your Honor, I renew

1 my request to enter into evidence Exhibit 1 and
2 Exhibit 9 of Ohio Schools Council.

3 EXAMINER PRICE: Any objection from any
4 party?

5 MR. BURK: Your Honor, we would object to
6 the admission of Exhibit 1 only. We have no
7 objection to Exhibit 9, but Exhibit 1 wasn't
8 authenticated.

9 EXAMINER PRICE: Overruled. Exhibit 1
10 will be admitted as well as Exhibit 9.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER PRICE: Counsel.

13 MS. McALISTER: Thank you, your Honor. I
14 move for the admission of IEU-Ohio Exhibits 4 through
15 10.

16 EXAMINER PRICE: Any objection from any
17 party?

18 IEU Exhibits 4 through 10 will be
19 admitted.

20 (EXHIBITS ADMITTED INTO EVIDENCE.)

21 MR. KORKOSZ: If your Honors please, at
22 this point I would have expected to be calling
23 Mr. Ridmann, but during discussion on one of our
24 breaks, it came to my attention that there may be no

1 cross-examination for Mr. Ridmann, in which case I
2 would propose to go through the drill of stipulating
3 his testimony in.

4 EXAMINER PRICE: Any objections?

5 MR. KORKOSZ: If your Honors please, I
6 would ask to have marked as Company Exhibit No. 1 the
7 Direct Testimony of William R. Ridmann.

8 EXAMINER PRICE: So marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 MR. KORKOSZ: And have identified as
11 Company Exhibit 1A the Update Testimony of
12 Mr. Ridmann.

13 EXAMINER PRICE: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MR. KORKOSZ: And finally the
16 Supplemental Testimony of Mr. Ridmann be marked as
17 Company Exhibit 1B.

18 EXAMINER PRICE: So marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 MR. KORKOSZ: And I offer those exhibits
21 at this time proffering that if called Mr. Ridmann
22 would answer the questions set out as they are facts
23 set out in the testimony.

24 EXAMINER PRICE: Any objections?

1 Without hearing any objections those
2 exhibits will all be admitted.

3 (EXHIBITS ADMITTED INTO EVIDENCE.)

4 EXAMINER PRICE: Let's go off the record.

5 (Discussion off the record.)

6 (The hearing was concluded at 2:53 p.m.)

7 - - -

CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Wednesday, January 30,
2008, and carefully compared with my original
stenographic notes.

Maria DiPaolo Jones

Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR.

(MDJ-3132)

- - -

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EXHIBIT

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo	)	Case No. 07-551-EL-AIR
Edison Company for Authority to	)	Case No. 07-552-EL-ATA
Increase Rates for Distribution Service,	)	Case No. 07-553-EL-AAM
Modify Certain Accounting Practices	)	Case No. 07-554-EL-UNC
and for Tariff Approvals)	

DIRECT TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

<input type="checkbox"/>	Management policies, practices, and organization
<input type="checkbox"/>	Operating Income
<input type="checkbox"/>	Rate Base
<input type="checkbox"/>	Allocations
<input type="checkbox"/>	Rate of Return
<input type="checkbox"/>	Rates and tariffs
<input checked="" type="checkbox"/>	Other - Case Overview, Revenue Requirements, Gross Rev. Conv. Factor

I. General Background

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is William R. Ridmann. I am employed by FirstEnergy Service Company as Director of State Regulatory Affairs. My business address is 76 South Main Street, Akron, Ohio 44308.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. I received a Bachelor of Business Administration Degree, in 1974, and a Bachelor of Science Degree in Electrical Engineering, in 1977, both from the University of Cincinnati.

I have been employed by FirstEnergy Service Company, or one of FirstEnergy's predecessor companies since 1977. I began in the rate department of The Cleveland Electric Illuminating Company ("CEI"), became Manager of Rate Administration for CEI in 1986, and was promoted in 1989 to Manager, Rates and Contracts at what was then Centerior Energy Corp. ("Centerior"). In 1991, I became Senior Manager, Marketing Services at Centerior, and held that position until 1993, when I was promoted to Director of Marketing. In 1997, I became the Executive Director, Marketing, for FirstEnergy Service Corp. In 1998, I became Executive Director, Customer Solutions & Energy Information Services; in 1999, Executive Director, Operations & Transaction Management; in 2002, Director, Energy Solutions, all with FirstEnergy Solutions Corp. In 2003, I joined FirstEnergy Service Company as Manager, Rate Restructuring and in 2004, Manager of Revenue Requirements. I assumed my current position in 2006.

1 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF STATE**
2 **REGULATORY AFFAIRS.**

3 A. I am responsible for State regulatory matters related to technical rate and tariff issues
4 for all FirstEnergy regulated utilities operating in the states of Ohio, New Jersey and
5 Pennsylvania.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**
7 **COMMISSION OF OHIO?**

8 A. Yes. I have testified several times before the Commission, most recently in the
9 proceedings for Ohio Edison Company ("OE"), CEI and The Toledo Edison
10 Company ("TE") (collectively, "Companies"), in Case Nos. 03-1238-EL-CSS, 03-
11 1445-EL-ATA, 03-1446-EL-ATA and 03-1447-EL-ATA.

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

13 A. The purpose of my testimony is to provide an overview of the testimony that will be
14 presented in this case. I also sponsor Schedules A-1, A-2, C-10, the F Schedules and
15 Schedules S-1 and S-2.1.

16 **Q. HOW WILL YOU ADDRESS EACH COMPANY'S SCHEDULES?**

17 A. Unless expressly stated, my discussion of the schedules are equally applicable to all
18 three Companies.

19 **Q. WHAT HAVE THE COMPANIES CHOSEN AS THEIR TEST YEAR AND**
20 **DATES CERTAIN?**

21 A. The Companies have chosen a test year of twelve months ending February 29, 2008
22 and a date certain of May 31, 2007, both of which have been approved by the
23 Commission on May 30, 2007. This original filing is based on twelve months of

1 estimated data for the test year and an estimate of the investment at date certain. The
2 update filing will be based on three months of actual information and nine months of
3 estimates for the test year, and actual information at date certain.

4 **Q WHEN ARE THE COMPANIES REQUESTING THAT RATES IN THIS**
5 **PROCEEDING BECOME EFFECTIVE?**

6 A. OE and TE request that the rates from this proceeding become effective for service
7 rendered as of January 1, 2009.

8
9 CEI requests that the rates from this proceeding go into effect when its RTC is
10 reduced by approximately 30%. Pursuant to a prior Commission Order in Case No.
11 05-1125-EL-ATA, *et seq.*, the actual date will be determined based on CEI achieving
12 a certain level of kWh sales. Based on CEI company forecasts, the necessary level of
13 sales is expected to occur in May 2009.

14 **II. Summary of Testimony Presented in this Proceeding**

15 **Q. PLEASE DESCRIBE THE TOPICS THAT WITNESSES FOR THE**
16 **COMPANIES WILL ADDRESS.**

17 A. I have attached as an exhibit to my testimony, Attach. WRR-1, which lists all
18 witnesses who will be testifying on behalf of the Companies, along with a summary
19 of the general areas to which they will testify and the schedules that they will sponsor.

20 **III. Revenue Requirements - Schedules A-1 and A-2, C-10**

21 **Q. PLEASE DESCRIBE SCHEDULES A-1 AND A-2.**

22 A. Schedule A-1 contains provisions for financial data for the Companies' proposed test
23 year and date certain. It provides a jurisdictional financial summary schedule
24 showing the proposed rate base, operating income, earned rate of return, calculation

1 of income requirements, income deficiency and revenue requirements for the test
2 year. Schedule A-2 provides a calculation for mirror CWIP (Construction Work in
3 Progress) which, in this proceeding, is not applicable, since the Companies are not
4 seeking CWIP.

5 **Q. WHAT IS "JURISDICTIONAL" AS IT PERTAINS TO SCHEDULE A-1?**

6 A. The distribution and sub-transmission portions of the Companies' business are
7 considered jurisdictional for purposes of the results displayed on Schedule A-1 and
8 were determined using the jurisdictional allocation factors discussed by Witness
9 Fernandez in his direct testimony. (Co. Exh. 9.)

10 **Q. PLEASE SUMMARIZE SCHEDULE A-1 FOR EACH OF THE COMPANIES.**

11 A. Schedule A-1, based on Ohio Edison's financial information for the test year and date
12 certain, shows a revenue deficiency of \$165 million, based on a rate base of \$1.628
13 billion, a requested rate of return of 9.06% and, operating income of \$37 million at
14 current rates.

15
16 Schedule A-1, based on CEI's financial information for the test year and date certain,
17 shows a revenue deficiency of \$107 million, based on a rate base of \$1.304 billion, a
18 requested rate of return of 9.15% and, operating income of \$47 million at current
19 rates.

20
21 Schedule A-1, based on TE's financial information for the test year and date certain,
22 shows a revenue deficiency of \$72 million, based on a rate base of \$531 million, a
23 requested rate of return of 8.95% and, operating income of \$0.2 million at current
24 rates.

1 **Q. PLEASE EXPLAIN SCHEDULE C-10.**

2 A. Schedule C-10 shows the computation of the gross revenue conversion factor, which
3 is used to adjust the operating income deficiency to a revenue deficiency.

4 **IV. F Schedules**

5 **Q. PLEASE EXPLAIN THE F SCHEDULES.**

6 A. The underlying basis for the data on the F Schedules is the Companies' budgets for
7 the period March 1, 2008 through February 29, 2009. The Schedules reflect the
8 jurisdictional business, as defined in this proceeding. The allocation factors were
9 provided by Witness Fernandez and are explained in his direct testimony (Co.
10 Exh. 9.)

11
12 The F Schedules reflect financial data at current rate levels, while the F Schedules
13 designated with the letter "A", reflect financial data at proposed rate levels.

14
15 Schedules F-1 and F-1A show the projected income statement based on current and
16 proposed distribution rates, respectively, for the period March 1, 2008 through
17 February 28, 2009.

18
19 Schedules F-2 and F-2A show the projected jurisdictional rate base as of May 31,
20 2008 based on current and proposed distribution rates, respectively. Both of these
21 schedules reflect RCP related fuel and distribution deferred balances at December 31,
22 2008, consistent with the B-1 schedules.

1 Schedules F-2.1 and F-2.1A show the breakdown of the projected plant in service by
2 major property groupings on both a total utility and jurisdictionally allocated basis,
3 based both on current and proposed distribution rates, respectively.

4
5 Schedules F-3 and Schedule F-3A shows the projected total capital structure and
6 associated costs at May 31, 2008, based on both current and proposed rates,
7 respectively.

8
9 Schedules F-4 and F-4A show the projected total sources and uses of funds for the
10 period March 1, 2008 through February 28, 2009, based on both current and proposed
11 rates, respectively.

12 **V. S Schedules**

13 **Q. PLEASE EXPLAIN SCHEDULE S-1.**

14 A. Schedule S-1 shows the most recent five year capital expenditure budget for the years
15 2008 through 2012. There are no projects that account for five percent or more of the
16 capital expenditure budget and, therefore, no further information is necessary.

17 **Q. PLEASE EXPLAIN WHY THE COMPANIES ARE NOT FILING A** 18 **SCHEDULE S-2.**

19 A. The Companies do not release financial forecasts in the form of income statements
20 and balance sheets to the public. Therefore, consistent with the standard filing
21 requirements, the Companies have chosen to file Schedule S-2.1 in lieu of the S-2
22 schedule.

1 **Q. PLEASE EXPLAIN SCHEDULES S-2.1, S-2.2 and S-2.3.**

2 A. Schedule S-2.1, 2.2 and 2.3 show the five year projection of the jurisdictional revenue
3 requirements, the projected balance sheet items required by the Standard Filing
4 Requirements, and the sources and uses of funds, respectively, for the years 2008
5 through 2012.

6 **Q. ARE THE S SCHEDULES BASED ON THE COMPANIES' BUDGET FOR**
7 **THE FIVE YEAR PERIOD?**

8 A. Yes.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes, it does.

**Attachment WRR-1
Case No. 07-551-EL-AIR**

Witness	Company Exhibit	Area of Testimony	Standard Filing Requirement Schedules
W. Ridmann	1	Revenue Requirements, Financial Projections	A-1, A-2, C-10, F Schedules, S-1, S-2.1, S-2.2, S-2.3
J. Murray	2	Management Policies, Practices and Organization	S-4.1 and S-4.2
H. Wagner	3	Certain Regulatory Asset Balances and Amortization of those balances, Storm AAM request, Government Mandate AAM request	B-6, B-6.1, C-3.5
J. Kalata	4	Payroll and Payroll Tax Annualization Adjustment, Pension and OPEB Expense Adjustment, Short-Term Disability Expense Adjustment	C-3.2, C-3.6, C-3.18
P. Chatman	5	Plant in Service, Contributions in Aid of Construction, Accumulated Depreciation Reserve, CWIP, Depreciation Expense and Study, Depreciation Expense Adjustment, Service Company Cost Allocations	B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.3, B-3.4, B-4, B-4.1, B-4.2, C-3.4
G. Young	6	Deferred Tax Balances, ITC, Tax Expense, Property Tax Annualization, Ohio Corporate Franchise Tax Annualization, kWh Sales Tax Adjustment, Amortization associated with deferred tax true-up	B-6, B-6.1, C-3.3, C-3.8, C-3.9, C-3.10, C-3.13, C-4, C-4.1
J. Pearson	7	Cost of Capital	D Schedules
M. Vilbert	8	Rate of Return	

**Attachment WRR-1
Case No. 07-551-EL-AIR**

Witness	Company Exhibit	Area of Testimony	Standard Filing Requirement Schedules
T. Fernandez	9	Jurisdictional Rate Base Summary, Working Capital other than cash, Misc working capital, Allocation Factors, Jurisdictional Pro-Forma Income Statement, Adjusted Test Year Operating Income, Summary of Jurisdictional Adjustments to Operating Income, Adjustment for Interest Expense on Customers' Deposits	B-1, B-5, B-5.1, B-7, B-7.1, B-7.2, C-1, C-2, C-2.1, C-3, C-3.17
K. Burgess	10	Test Year Operating Expenses, exclusive of taxes and depreciation; Vehicle Lease Cost Annualization; Uncollectible Expense Adjustment; Account 583 Adjustment; Historical and Projected Income Statement and Balance Sheet	C-2.1, C-3.11, C-3.12, C-3.15, C-5, C-6, C-7, C-9, C-9.1, C-11.1, C-11.2, C-13
M. Swartz	11	Cash Working Capital	B-5
E. Stein	12	Cost of Service Study	E-3.2
G. Hussing	13	Areas of Rate Design other than those covered by M. Henry, K. Norris and S. Ouellette; Revenue Adjustment, Revenue Statistics	E-1, E-2, E-3, E-3.1, E-4, E-4.1, E-5, C-3.1, C-12.1, C-12.2, C-12.3, C-12.4
M. Henry	14	Proposed Rate Design for Street Lighting, Traffic Lighting and Private Outdoor Lighting	E-1, E-2, E-3, E-3.1, E-4, E-4.1 and E-5
K. Norris	15	Proposed Electric Service Regulations	E-1 and E-2
S. Ouellette	16	Rider DSM, Line Extensions, TE Economic Development Rider, Net Metering, Rate Case Expense and Adjustment	E-1, E-2, E-3, E-4.1, C-3.16, C-3.19, and C-8

EXHIBIT

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo	)	Case No. 07-551-EL-AIR
Edison Company for Authority to	)	Case No. 07-552-EL-ATA
Increase Rates for Distribution Service,	)	Case No. 07-553-EL-AAM
Modify Certain Accounting Practices	)	Case No. 07-554-EL-UNC
and for Tariff Approvals)	

UPDATE TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

- | | |
|-----------|---|
| <u>X</u> | Management policies, practices, and organization |
| <u> </u> | Operating income |
| <u> </u> | Rate base |
| <u> </u> | Allocations |
| <u> </u> | Rate of return |
| <u> </u> | Rates and tariffs |
| <u>X</u> | Other —Case Overview,
Revenue Requirements
Gross Rev. Conversion Factor |

1 **Q. PLEASE STATE YOUR NAME FOR THE RECORD.**

2 A. My name is William R. Ridmann.

3 **Q. ARE YOU THE SAME WILLIAM R. RIDMANN THAT PROVIDED**
4 **INITIAL TESTIMONY THAT WAS FILED IN THIS PROCEEDING ON**
5 **JUNE 7, 2007?**

6 A. Yes, I am.

7 **Q. WHAT IS THE PURPOSE OF YOUR UPDATE TESTIMONY?**

8 A. The purpose of my Update Testimony is to provide updates to Schedules A-1, C-10,
9 the F Schedules and S Schedules S-2.1, S-2.2, S-2.3, S-3, S-4.1 and S-4.2. I have
10 also included a list of Company witnesses providing Update Testimony, which is
11 attached as an exhibit to my testimony, Attach. WRR-1A.

12 **Q. DO THE UPDATES THAT YOU WILL BE DISCUSSING APPLY TO ALL**
13 **THREE OPERATING COMPANIES?**

14 A. Unless otherwise stated, yes, they do.

15 **Q. WHY DID UPDATED SCHEDULE A-1 CHANGE?**

16 A. Updated Schedule A-1 changed primarily because each schedule included in this
17 filing reflects three months of actual data for the months of March through May of
18 2007 instead of budget information for those same months. This schedule also
19 changed because it reflects adjustments noted in the Update Testimony of the other
20 company witnesses.

1 **Q. PLEASE SUMMARIZE UPDATED SCHEDULE A-1 FOR EACH OF THE**
2 **COMPANIES.**

3 **A.** Updated Schedule A-1, based on Ohio Edison's financial information in the update
4 filing, shows a revenue deficiency of \$156 million, based on a rate base of \$1.591
5 billion, a requested rate of return of 9.06% and, operating income of \$40 million at
6 current rates.

7
8 Updated Schedule A-1, based on CEI's financial information in the update filing,
9 shows a revenue deficiency of \$108 million, based on a rate base of \$1.296 billion,
10 a requested rate of return of 9.15% and, operating income of \$46 million at current
11 rates.

12
13 Updated Schedule A-1, based on TE's financial information in the update filing,
14 shows a revenue deficiency of \$67 million, based on a rate base of \$523 million, a
15 requested rate of return of 8.95% and, operating income of \$3 million at current
16 rates.

17 **Q. PLEASE EXPLAIN UPDATED SCHEDULE C-10.**

18 **A.** Updated Schedule C-10 shows the computation of the gross revenue conversion
19 factor, which is used to adjust the operating income deficiency to a revenue
20 deficiency. The change in the update is primarily made to reflect the fact that the
21 Pennsylvania Income Tax is considered jurisdictional in this update filing -- an
22 issue more fully discussed in Company Witness Young's update testimony (Co.
23 Exh.6-A). A change was also made to reflect a change to the level of uncollectible
24 expense in the update filing.

1 **Q. PLEASE EXPLAIN CHANGES TO THE UPDATED F SCHEDULES, AND**
2 **CHANGES TO THE UPDATED S-2.1, S-2.2 AND S-2.3 SCHEDULES.**

3 A. These updated schedules reflect the jurisdictional allocation of Pennsylvania
4 income tax. They also incorporate updates made to the original application filing,
5 including jurisdictional allocation factors for Other Revenues, Taxes Other Than
6 Income Taxes, O&M Expense, and Reconciling Items. I also updated several of the
7 C-3 adjustments to the Income Statement and the Regulatory Debits and Credits
8 amounts so that they match the test year values, and updated Working Capital and
9 Other Rate Base Items as of date certain. The proposed revenue increase from the
10 updated E-4 Schedules (F Schedule only) was also updated.

11 **Q. WHAT CHANGED IN SCHEDULE S-3?**

12 A. The Notice was modified to reflect changes ordered by the Commission in its
13 August 1, 2007 Entry.

14 **Q. WHAT CHANGED IN THE S-4.1 AND S-4.2 SCHEDULES?**

15 A. These schedules were updated to reflect changes in the organization chart that have
16 occurred since the application was filed. We have also included a revised business
17 practice manual, included in Volume 5, Appendix 10(c) of the Update Filing, which
18 was also updated subsequent to the original filing.

19 **Q. ARE THERE ANY CLARIFICATIONS YOU WOULD LIKE TO MAKE TO**
20 **YOUR INITIAL TESTIMONY?**

21 A. Yes. In my initial testimony, I referred to jurisdictional assets as distribution and
22 sub-transmission (69 kV or below) assets. (Co. Exh. 1, p. 4.) Upon further
23 consideration, I realized that this was not totally accurate and I would like to clarify

1 the jurisdictional concept adopted in this proceeding. As Mr. Fernandez will
2 discuss (Co. Exh. 9-A), OE costs included in FERC Account 514, Maintenance of
3 Miscellaneous Steam Plant, were also treated as jurisdictional as was certain real
4 property that supports transmission. Therefore, for purposes of this proceeding,
5 jurisdictional assets include (i) distribution assets; (ii) transmission assets at or
6 below 69 kV; (iii) costs included in FERC Account 514 (OE only); and (iv) real
7 property that supports the bulk transmission system. The Companies' rationale for
8 doing so is discussed by Mr. Fernandez.

9 **Q. DOES THIS CONCLUDE YOUR UPDATE TESTIMONY?**

10 **A.** Yes, it does.

**Attachment WRR-1A
Case No. 07-551-EL-AIR**

Witness	Company Exhibit	Area of Testimony*	Standard Filing Requirement Schedules
W. Ridmann	1	Revenue Requirements, Financial Projections	A-1, A-2, C-10, F Schedules, S-1, S-2.1, S-2.2, S-2.3
J. Kalata	4	Payroll and Payroll Tax Annualization Adjustment, Pension and OPEB Expense Adjustment, Short-Term Disability Expense Adjustment	C-3.2, C-3.6, C-3.18
G. Young	6	Deferred Tax Balances, ITC, Tax Expense, Property Tax Annualization, Ohio Corporate Franchise Tax Annualization, kWh Sales Tax Adjustment, Amortization associated with deferred tax true-up	B-6, B-6.1, C-3.3, C-3.8, C-3.9, C-3.10, C-3.13, C-4, C-4.1
J. Pearson	7	Cost of Capital	D Schedules
T. Fernandez	9	Jurisdictional Rate Base Summary, Working Capital other than cash, Misc working capital, Allocation Factors, Jurisdictional Pro-Forma Income Statement, Adjusted Test Year Operating Income, Summary of Jurisdictional Adjustments to Operating Income, Adjustment for Interest Expense on Customers' Deposits	B-1, B-5, B-5.1, B-7, B-7.1, B-7.2, C-1, C-2, C-2.1, C-3, C-3.17
K. Burgess	10	Test Year Operating Expenses, exclusive of taxes and depreciation; Vehicle Lease Cost Annualization; Uncollectible Expense Adjustment; Account 583 Adjustment; Historical and Projected Income Statement and Balance Sheet	C-2.1, C-3.11, C-3.12, C-3.15, C-5, C-6, C-7, C-9, C-9.1, C-11.1, C-11.2, C-13
M. Swartz	11	Cash Working Capital	B-5
G. Hussing	13	Areas of Rate Design other than those covered by M. Henry, K. Norris and S. Ouellette; Revenue Adjustment, Revenue Statistics	E-1, E-2, E-3, E-3.1, E-4, E-4.1, E-5, C-3.1, C-12.1, C-12.2, C-12.3, C-12.4
M. Henry	14	Proposed Rate Design for Street Lighting, Traffic Lighting and Private Outdoor Lighting	E-1, E-2, E-3, E-3.1, E-4, E-4.1 and E-5

* The areas of testimony included on this schedule are a list of all areas to which the witness will be testifying and are not necessarily addressed in the update testimony submitted by the witnesses.

EXHIBIT

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo	)	Case No. 07-551-EL-AIR
Edison Company for Authority to	)	Case No. 07-552-EL-ATA
Increase Rates for Distribution Service,	)	Case No. 07-553-EL-AAM
Modify Certain Accounting Practices	)	Case No. 07-554-EL-UNC
and for Tariff Approvals)	

SUPPLEMENTAL TESTIMONY OF

WILLIAM R. RIDMANN

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

- ☐ Management policies, practices, and organization
- ☐ Operating income
- ☐ Rate base
- ☐ Allocations
- ☐ Rate of return
- ☐ Rates and tariffs
- ☒ Other -Case Overview,
Revenue Requirements
Gross Rev. Conversion Factor

1 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

2 A. My name is William R. Ridmann.

3 Q. ARE YOU THE SAME WILLIAM R. RIDMANN THAT PROVIDED
4 INITIAL AND UPDATE TESTIMONY THAT WAS FILED IN THIS
5 PROCEEDING ON JUNE 7, 2007 AND AUGUST 6, 2007, RESPECTIVELY?

6 A. Yes, I am.

7 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

8 A. The purpose of my Supplemental Testimony is to address an objection of Ohio
9 Edison Company, The Cleveland Electric Illuminating Company and The Toledo
10 Edison Company (collectively, "Operating Companies") to the Staff Report that
11 was filed with the Commission on December 4, 2007.

12 Q. PLEASE IDENTIFY THE OPERATING COMPANIES' OBJECTION THAT
13 YOU WILL BE ADDRESSING.

14 A. I will be addressing Objection No. IV.1 (Overall Revenue Requirement 1).

15 Q. DOES YOUR TESTIMONY REGARDING THIS OBJECTION APPLY TO
16 ALL THREE OPERATING COMPANIES?

17 A. Yes, it does.

18 Q. PLEASE EXPLAIN THE OPERATING COMPANIES' UNDERLYING
19 RATIONALE FOR THEIR OBJECTION NO. IV. 1.

20 A. The Staff Report has excluded the incremental impact that increased revenue will
21 have on the Companies' costs associated with the OCC and PUCO assessments.

22 Q. PLEASE EXPLAIN.

1 A. The OCC and PUCO costs assessed to the Companies are based, in part, on the
2 amount of revenue the companies receive from retail customers. As the
3 Companies' revenue is increased, the costs to the Companies to support the OCC
4 and PUCO will increase, assuming everything else is held constant. Therefore the
5 Operating Companies calculated the Gross Revenue Conversion Factor to recognize
6 increased expenses associated with the OCC and PUCO assessments that will result
7 from increased revenue from this case, assuming everything else is held constant.

8 **Q. IS RECOGNITION OF THESE INCREASED COSTS CONSISTENT WITH**
9 **RATEMAKING PRINCIPLES?**

10 A. Yes. Rates set in this proceeding should reflect the conditions the Companies will
11 experience (i.e. be representative of the costs they will incur) during the period
12 when those rates will be in effect. With increased revenues in this proceeding, the
13 Companies will experience the effect of the incremental increase in these
14 assessments. Failing to recognize these incremental increases in the calculation of
15 the Gross Revenue Conversion Factor will improperly impair the Companies
16 opportunity to actually earn whatever rate of return is allowed by the Commission.

17 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

18 A. Yes, it does.
19
20

EXHIBIT

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo	)	Case No. 07-551-EL-AIR
Edison Company for Authority to	)	Case No. 07-552-EL-ATA
Increase Rates for Distribution Service,	)	Case No. 07-553-EL-AAM
Modify Certain Accounting Practices	)	Case No. 07-554-EL-UNC
and for Tariff Approvals)	

DIRECT TESTIMONY OF

JAMES M. MURRAY

ON BEHALF OF

OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY

<u>X</u>	Management policies, practices, and organization
—	Operating Income
—	Rate Base
—	Allocations
—	Rate of Return
—	Rates and tariffs
—	Other

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION?**

2 A. My name is James M. Murray. My business address is 300 Madison Avenue,
3 Toledo, Ohio 43652. I am employed by FirstEnergy Service Company in the
4 Energy Delivery & Customer Services Department as President, Ohio Operations.
5

6 **Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?**

7 A. I began my career at Ohio Edison Company ("OE") in 1969. I held a variety of
8 positions in plant operations and human resources, including Coordinator of Human
9 Resources and Superintendent of the Gorge Plant and the Niles Plant. After the
10 formation of FirstEnergy Corp. in 1997, I became Regional President of The Toledo
11 Edison Company ("TE") and in 2005, I assumed my present position of President,
12 Ohio Operations.
13

14 **Q. PLEASE DESCRIBE YOUR DUTIES AS PRESIDENT, OHIO**
15 **OPERATIONS?**

16 A. I am responsible for managing Energy Delivery's strategic oversight and planning
17 for OE, TE, and The Cleveland Electric Illuminating Company ("CEI")
18 (collectively, the "Companies"). This includes managing the Companies' financial,
19 operational and overall performance. I am also responsible for the execution of the
20 process, practices, and policies associated with the Companies' distribution system
21 assets.
22

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. The purpose of my testimony in this proceeding is to support the management
4 policies, practices, and organization of the Companies as submitted in Schedule S-
5 4.1 and Schedule S-4.2 pursuant to the Standard Filing Requirements.
6

7 **Q. PLEASE BRIEFLY DESCRIBE SCHEDULE S-4.1 AND SCHEDULE S-4.2.**

8 A. Schedule S-4.1 is an executive summary of FirstEnergy Corp.'s ("FirstEnergy")
9 overall corporate structure and the process in which FirstEnergy and the Companies
10 conduct and manage their businesses. Schedule S-4.2 is an executive summary of
11 the management policies, practices and organization the Companies employ to meet
12 the corporate goals. The executive summary includes a discussion of the
13 Companies' policy and goal setting practices, strategic and long-range planning,
14 organizational structure, decision-making practices, controlling process, and
15 internal and external communications.
16

17 **Q. HAVE YOU REVIEWED THE INFORMATION CONTAINED IN**
18 **SCHEDULE S-4.1 AND S-4.2?**

19 A. Yes, I have. I am familiar with the contents of these schedules.
20

21 **Q. PLEASE BRIEFLY DESCRIBE THE COMPANIES' MANAGEMENT**
22 **STRUCTURE?**

1 A. Each of the Companies is a wholly owned subsidiary of FirstEnergy and receives
2 management policy, practice and organizational direction from FirstEnergy. The
3 vice presidents of each business unit are responsible for the development,
4 maintenance and communication of the corporate direction. The President, Ohio
5 Operations, is responsible for the execution of the process, practices, and policies
6 associated with the Companies' distribution system assets. The regional
7 management owns the controlling process ensuring implementation and
8 compliance.

9
10 **Q. IS THE INFORMATION CONTAINED IN SCHEDULE S-4.1 AND S-4.2**
11 **TRUE AND ACCURATE TO THE BEST OF YOUR KNOWLEDGE?**

12 A. As of June 7, 2007, the information contained in Schedule S-4.1 and S-4.2 is true
13 and accurate to the best of my knowledge. Of course, like any organization, the
14 Companies' organization is constantly evolving, and the organizational structure,
15 along with responsibilities and duties, change on a continual basis.

16
17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes, it does.

EXHIBIT

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company, and The Toledo	)	Case No. 07-551-EL-AIR
Edison Company for Authority to	)	Case No. 07-552-EL-ATA
Increase Rates for Distribution Service,	)	Case No. 07-553-EL-AAM
Modify Certain Accounting Practices	)	Case No. 07-554-EL-UNC
and for Tariff Approvals)	

DIRECT TESTIMONY OF

KEVIN R. BURGESS

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

<input type="checkbox"/>	Management policies, practices, and organization
<input checked="" type="checkbox"/>	Operating income
<input type="checkbox"/>	Rate base
<input type="checkbox"/>	Allocations
<input type="checkbox"/>	Rate of return
<input type="checkbox"/>	Rates and tariffs
<input type="checkbox"/>	Other

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION?

2 A. My name is Kevin R. Burgess. My business address is 76 South Main Street, Akron,
3 Ohio 44308. My title is Controller, Energy Delivery.

4 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
5 PROFESSIONAL QUALIFICATIONS?

6 A. I graduated from Hendrix College, Conway, Arkansas in 1987 with a Bachelor of
7 Arts in Economics and Business with an emphasis in accounting. I started with
8 FirstEnergy in 1999 as Manager, Business Services for Fossil Generation. In 2002, I
9 became Director, Planning & Analysis for FirstEnergy Solutions Corp. ("FES"). In
10 2004 I was promoted to Controller at FES and in 2005, I was promoted to my current
11 position.

12 Q. PLEASE DESCRIBE YOUR DUTIES AS CONTROLLER, ENERGY
13 DELIVERY.

14 A. As Controller, Energy Delivery, I am responsible for business planning and
15 budgeting, financial reporting, and insuring that the accounting and financial records
16 of the business unit are maintained in conformity with Generally Accepted
17 Accounting Principles and regulatory requirements.

18 Q. PLEASE IDENTIFY THE SCHEDULES THAT YOU ARE SPONSORING IN
19 THIS PROCEEDING.

20 A. I am sponsoring the following Schedules and associated work papers for each of the
21 Companies:

<u>Schedule</u>	<u>Title</u>
22	
23 C-2.1	Operating Revenues and Expense by Account – Jurisdictional
24	Allocation
25	

1	C-3.11	Vehicle Lease Cost Annualization
2	C-3.12	Uncollectible Expense
3	C-3.15	Reclass. Adj. from FERC Account 583 to FERC Account 451
4	C-5	Social and Service Club Dues
5	C-6	Charitable Contributions
6	C-7	Customer Service and General Advertising/Marketing Expense
7	C-9	Operation and Maintenance Payroll Costs
8	C-9.1	Total Company Payroll Analysis by Employee Classification/ Payroll Distribution
9		
10	C-11.1	5 Year Comparative Balance Sheets - Total Company
11	C-11.2	5 Year Comparative Income Statement - Total Company
12	C-13	Analysis of Reserve for Uncollectible Accounts
13		

14 **Q. HOW WILL YOU ADDRESS EACH COMPANY'S SCHEDULES?**

15 A. Unless otherwise stated, my discussion of each schedule is equally applicable to all
16 three of the Companies.

17 **Q. PLEASE EXPLAIN SCHEDULE C-2.1.**

18 A. Schedule C-2.1 shows a detailed operating income statement by FERC account. The
19 portion of Schedule C-2.1 for which I am responsible is limited to the financial data
20 included under the unadjusted total utility column. The data included in this column
21 represents budgeted test year data for the twelve months ending February 29, 2008.

22 **Q. WHO IS RESPONSIBLE FOR THE REMAINDER OF SCHEDULE C-2.1?**

23 A. Witness Fernandez is responsible for the remainder of Schedule C-2.1, which he
24 discusses in his direct testimony (Co. Exh. 9.)

25 **Q. PLEASE EXPLAIN SCHEDULE C-3.11.**

26 A. This adjustment is related to vehicle lease costs and is necessary in order to normalize
27 costs. During calendar years 2007 and 2008, Ohio Edison intends to replace 240
28 leased vehicles; CEI, 81; and Toledo Edison, 54. The adjustment reflects the
29 anticipated increase in lease costs that the Companies will incur during the period in

1 which the rates approved in this proceeding will be in effect. Schedules supporting
2 this adjustment are included in my workpapers at WPC-3.11a-d.

3 **Q. PLEASE EXPLAIN SCHEDULE C-3.12.**

4 A. This adjustment is necessary to better reflect the uncollectible expense that the
5 Companies expect to incur during the period in which the rates approved in this
6 proceeding will be in effect. This increase represents the difference between the
7 amount included in the budgeted test year data and the estimated results from a study
8 of the current collections process. The actual results from this study will be included
9 in the update filing made later in this proceeding. Schedules supporting this
10 adjustment are included in my workpapers at WPC-3.12.

11 **Q. PLEASE EXPLAIN SCHEDULE C-3.15.**

12 A. This schedule only applies to CEI and is necessary in order to correct the FERC
13 account assignment of revenues recorded as expense reductions, rather than as
14 revenues. CEI's FERC Account 583 - Overhead Line Expenses reflected a credit
15 balance. The future test year included approximately \$980,500 of revenues
16 incorrectly recorded as credits to expense. These revenues should have been recorded
17 in FERC Accounts 415 - Revenues from Merchandising, Jobbing and Contract Work;
18 421 - Miscellaneous Nonoperating Income; and 451 - Miscellaneous Service
19 Revenues. The adjustment on C-3.15 reclassifies the Operating Revenue portion of
20 the credits to FERC Account 451. Schedules supporting this adjustment are included
21 in my workpapers at WPC-3.15a-c.

1 **Q. PLEASE EXPLAIN SCHEDULE C-5.**

2 A. Schedule C-5 shows the amount of social and service club dues included in the test
3 year balances.

4 **Q. PLEASE EXPLAIN SCHEDULE C-6.**

5 A. The purpose of Schedule C-6 is to show the amount of charitable contributions
6 included in the test year balances. The Companies are not including any charitable
7 contributions in test year operating expenses. Rather, charitable contributions are
8 included in non-operating expenses, FERC Account 426.

9 **Q. PLEASE EXPLAIN SCHEDULE C-7.**

10 A. Schedule C-7 summarizes test year balances for customer service and informational
11 sales and miscellaneous advertising and marketing expense incurred by the
12 Companies while providing distribution electric service.

13 **Q. PLEASE EXPLAIN SCHEDULE C-9.**

14 A. Schedule C-9 shows the distribution of the test year operation and maintenance
15 payroll costs both on a total company basis and adjusted jurisdictional basis,
16 including applicable adjustments set forth on Schedule C-3

17 **Q. PLEASE EXPLAIN SCHEDULE C-9.1.**

18 A. Schedule C-9.1 shows a payroll analysis for years 2002 through 2006 and the
19 adjusted balance for the test year. The amounts are presented both as total payroll
20 and payroll by bargaining and non-bargaining employee groups.

21 **Q. PLEASE EXPLAIN SCHEDULES C-11.1 AND C-11.2.**

22 A. Both of these schedules are comparative financial statements. Schedule C-11.1 is a
23 balance sheet that includes balances for the five most recent calendar years, 2002

1 through 2006. Schedule C-11.2 is an income statement that includes balances for the
2 same five year period, plus test year balances for the twelve months ending
3 February 29, 2008. The Companies will provide the C-11.1 balance sheet data at date
4 certain in their three month update filing.

5 **Q. WHAT WAS THE SOURCE FOR THE PREVIOUS FIVE YEAR FINANCIAL**
6 **DATA INCLUDED ON SCHEDULES C-11.1 AND C-11.2?**

7 A. The five year financial data for each Company was obtained from its respective
8 FERC Form 1.

9 **Q. PLEASE EXPLAIN SCHEDULE C-13.**

10 A. Schedule C-13 shows an analysis of the reserve for uncollectible accounts for the test
11 year and for years 2004 through 2006. The Companies do not budget for the current
12 year's recoveries or writeoffs and have, instead, included the average for the 3 prior
13 years on the appropriate lines in the C-13 schedule.

14 **Q. MR. BURGESS, DOES THAT CONCLUDE YOUR DIRECT TESTIMONY.**

15 A. Yes, it does.