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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to RC §4928.143 in the Form of an Electric Security Plan. : Case No. 08-935-EL-SSO

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DEPOSITION

of David M. Blank, taken before me, Rosemary F. Anderson, a Notary Public in and for the State of Ohio, at the offices of FirstEnergy, 76 South Main Street, Akron, Ohio, on Wednesday, September 24, 2008 at 9:00 a.m.

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On behalf of NOPEC and Ohio Schools Council.

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On behalf of the FPL Energy Power Marketing and Gexa Energy Holdings, LLC.

ALSO PRESENT:

Mr. Dylan Sullivan, NRDC.
Mr. Justin Blitz

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Tuesday Morning Session,
September 23, 2008.

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STIPULATIONS

It is stipulated by and among counsel for the respective parties that the deposition of David M. Blank, a witness called by the Ohio Office of Consumers' Counsel under the applicable Rules of Civil Procedure, may be reduced to writing in stenotypy by the Notary, whose notes thereafter may be transcribed out of the presence of the witness; and that proof of the official character and qualification of the Notary is waived.

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MR. KORKOSZ: This is the testimony of Mr. David M. Blank on behalf of -- representing a witness, I should say, for the applicants. I am counsel for the applicants. My name is Arthur Korkosz. Address, 76 South Main Street, Akron, Ohio.

And I would suggest that we take the appearances of the other participants that are live here in this deposition room and then we will go to the telephone parties.

MR. BREITSCHWERDT: My name is Brent Breitschwerdt. I am appearing at the deposition on behalf of the Northeast Ohio Public Energy Company and Ohio Schools Council.

MR. SMALL: Jeff Small representing the Ohio Consumers' Counsel.

MR. KORKOSZ: Jeff, if the remainder can wait, we have a couple more appearances was in the deposition room.

MR. SMALL: I'm sorry.

MR. LANG: Jim Lang, also counsel for FirstEnergy, 800 Superior Avenue, Cleveland, Ohio.

MR. KEIFFER: Lance Keiffer, on behalf of the NOAC.

MR. FRYE: Mark Frye on behalf of NOAC

and NOPEC.

MR. KORKOSZ: That completes the appearances for the people who are here in the deposition room.

MS. FONNER: This is Cynthia Fonner on behalf of Constellation Energy.

MS. McALISTER: Lisa McAlister on behalf of Industrial Energy Users - Ohio.

MR. YURICK: Mark Yurick on behalf; of the Kroger Company.

MR. ROYER: Barth Royer on behalf of the Ohio Environmental Council.

MR. LAVANGA: Mike Lavanga for Nucor Steel Marion.

MR. SULLIVAN: Dylan Sullivan from the Natural Resources Defense Council.

MR. MILLER: Chris Miller, City of Cleveland.

MR. BELL: Langdon Bell, the Ohio Manufacturers Association.

MR. STINSON: Dane Stinson, FPL Energy Power Marketing and Gexa Energy holdings.

MR. BOWER: Joe Bowser, Industrial Energy Users of Ohio.

MR. KORKOSZ: Any other parties represented?

(No response.)

MR. KORKOSZ: This is again Art Korkosz, and, Jeff, I have now a ten-page fax that was received and is apparently what you were referring to.

MR. SMALL: Thank you, very much.

Again, this is Jeff Small. This is the deposition of David M. Blank in 08-935. It has been noticed by multiple parties and agreed to by counsel at the stated time and for also the method of choice by counsel to either attend in person or by telephone.

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DAVID M. BLANK

being by me first duly sworn, as hereinafter certified, deposes and says as follows:

EXAMINATION

By Mr. Small:

Q. Mr. Blank, are you there?

A. I'm here.

Q. Good morning. You will be asked questions by a number of attorneys. I will lead off with the questioning. I know that you have attended many depositions and you are aware that you have to give audible responses to the questions for the court reporter. It's never more important than right now since we are on the telephone and it is difficult for anybody to have any communications other than a good audible response.

Please ask the questioner if you don't understand and let us know if you have any needs, need a break or anything else along the way.

Do you understand that?

A. I do.

Q. You have your testimony with you?

A. I do.

Q. Okay. Let's begin. Would you please turn to page 5 of your testimony.

A. Yes, sir.

Q. And on lines 15 and 20 you state that the ESP, and I quote, is more favorable than the expected results of the companies' section 4928.142 MRO filing, and lines 19 through 20 it appears as though you rest that conclusion on the benefit of $1.3 billion; is that correct?

A. That's part of what that section says.

It says that -- I do a calculation that says I calculate 1.3 billion as a minimum, but that's just a quantitative view. There's a qualitative standpoint as well, which is probably not subject to easy calculation if it's subject to calculation at all.

Q. That leads to the ultimate question, which if the calculation you show on line 20, which is $1.3 billion was any positive number, would you still recommend the ESP to the MRO? That is, if it was one dollar, would that be enough?

A. I'm not going to get into counting games, Mr. Small, but I think certainly any positive number would be a reason why this would be more favorable, but, again, I don't think this is only an arithmetic calculation.

Q. Okay. That's the next part of my question. If that was a negative number would you still support the ESP over the MRO?

A. I would have to know more details about how that negative number were developed and how it compared to whether it had any impact on the rest of the plan.

Q. Let's take a hypothetical then. Let's say the number for the very items that you quantify in your testimony in your tables were adjusted in some fashion, let's say hypothetically there were adjustments to those numbers and that number was a small negative number. Would you still favor -- would there be circumstances where that would be a negative number that you could still favor the ESP?

MR. KORKOSZ: Objection.

You can answer.

A. I can envision there would be a situation where if that were a negative number, that the qualitative factors would predominate such a determination.

Q. Okay. Could you please turn to page 6 of your testimony, line 4 to 5. Particularly in line 4 you state that "the plan provides" - and "the Plan" refers to the ESP plan, correct?

A. That's correct.

Q. On line 4 you say that "the Plan provides hoisted stability." Do you see that?

A. Yes.

Q. In comparison with the MRO, why does the ESP provide more stable prices than the MRO?

A. I think there are a couple of factors. The first factor is we know what numbers we are talking about upon the approval of the plan, which we do not know upon the approval of an MRO because you have yet to go through additional process with the MRO.

Secondly, we know what the changes are with some modest exceptions going forward, and we know how different customer classes will be affected by the price levels over time over the three-year period of time.

Q. Okay. Let's deal with each one of those parts of your response. The approval of the MRO, whatever form that would take, would also provide for prices January 1, 2009, correct?

A. That's correct.

Q. So at that point --

A. Pardon me, that is not correct. The approval of the MRO would approve a process for an auction arrangement which would subsequently lead to prices.

Q. Okay. But prices would be known with certainty from the MRO on or before January 1, 2009, correct?

A. That is assuming that the entirety of the process can be concluded by that point in time.

Q. Well, there's going to have to be power supplied on January 1, 2009, right?

A. One would hope so.

Q. Regardless of the process that is taking place. So the first factor of not knowing what the prices are, that's a temporary one between whenever the Commission might approve an ESP and no later than January 1, 2009, correct?

A. I don't think it is, because the MRO process is a continuing process over multiple years so we would not what the price is for the subsequent year. We would not know what the price is for 2011.

Q. Okay. That's because it's -- there would be a partial bid during -- there would additional bidding procedures or bids conducted during the three-year plan period, correct?

A. Yes.

Q. In your testimony on line 4, still page 6 is this just a discussion of the generation portion of the ESP?

A. Not necessarily.

Q. I'm going to get to this a little bit later on, but let's go to top of page 8 where you mention there are limited exceptions to changes in rates during the plan. Do you see that?

A. Yes.

Q. In that discussion I don't see anything about changes in distribution prices, which are also part of the ESP plan. Aren't there also distribution changes -- changes in distribution rates proposed by the company during the plan period?

A. There are changes in distribution rates over the plan period, but I don't think that's at variance with what I said in the testimony. It says "the rates in the Plan are not subject to change," and the rates in the plan are identified for changes -- specific changes in generation as well as distribution. And, of course, the plan also has the subsequent stay-out for distribution.

Q. But there are changes to distribution rates during the plan period so we don't have fixed distribution rates, do we?

A. We do not have fixed distribution rates for the totality of the period, but the changes are specified in the plan.

Q. Do we know what the exact amount of the distribution increases are during the plan period?

A. I believe we have an attachment to the application which specifies the recovery of the deferrals, which I think is on the schedule for that, which I think is the only changes in distribution rates during the plan period.

Q. So, for instance --

A. Pardon me, with one further exception, and that would be with the Distribution Service Improvement Rider, which is subject to some performance arrangements.

Q. Well, leaving aside the performance portion of it, doesn't the Distribution Improvement Rider just have to do with certain elements that can be charged to customers? Is there anything in the plan, for instance, that caps those amounts?

A. I have to review the plan, Mr. Small, to recollect the details of what is in that, if that's what you would like me to do.

Q. Really the only point I'm trying to make is that the company hasn't stated with certainty what these distribution rates are going to be, have they?

A. We have identified the magnitude of the result in the distribution case. I believe we have a revenue distribution stipulation in that case which would govern how the rates are determined. We identify what the deferral recovery process is.

The piece which is not known with 100 percent certainty is what is the performance change, if any, to the rates associated with the DSI. Otherwise, I thought that the rates -- unless you have other ideas, I thought that the rates were stated, for the ESP that is.

Q. Pardon me for a second here. I had intended going over this. I'm not sure you are familiar with this, and you may not have this readily available, but there is an attachment in Mr. Wagner's testimony, HLW-1, where he lays out the matters that would be includable in the distribution rider, and it does not appear to have limitations -- well, it's not clear what the limitations are, but it does not appear to designate a dollar value. Do you disagree with that conclusion?

A. I don't have that testimony in front of me, and I'm now going to have to look at the application and perhaps his testimony to be able to respond to that question.

Q. Would you review that?

A. It will take me a moment to review the application.

The application refers to the DSI rider, and I don't have Mr. Wagner's testimony.

MR. KORKOSZ: Jeff, this is Art Korkosz, were you able to hear that?

MR. SMALL: No, I wasn't.

MR. KORKOSZ: Mr. Blank indicated the application, while it refers to the DIS rider and your reference to Mr. Wagner's testimony, Mr. Blank does not have either of those with him.

Q. I think I'd like to move on. Mr. Blank, one matter of confusion, you might say, on my part, you are stating there is price stability either because the prices don't change or because they're changing in a knowable fashion.

Let's focus on the generation portion of it. There's no contract that FirstEnergy EDUs, Ohio Edison, Toledo Edison and CEI, have for the supply of this power; is that correct?

A. Not at this time.

Q. In what respect do we know it if we don't have a contract with a generation supplier?

A. Well, the plan offers a specific price, which is what we are committing to under the ESP, subject to the provisions of the plan, obviously.

Q. Okay. When you used the word "we" just now, were you stating that on behalf of the EDUs, or were you also making a statement for FirstEnergy Solutions?

A. On the EDUs.

Q. And how do the EDUs know that that contract is going to be -- they're going to have a contract that they're going to fulfill those commitments?

A. My understanding is that the EDUs will procure a contract with FirstEnergy Solutions.

Q. Is there anybody making representations that they will -- on behalf of FirstEnergy Solutions that they will enter into that contract with the EDUs?

A. Pardon me for a minute while I review documents. On page 41 of the application we refer to the -- it says: As the Commission is aware the Companies must enter into an agreement with FES and/or our wholesale providers in order to obtain generation resources sufficient to satisfy its Plan commitments.

My understanding from the management is that FES will be making such a contract available.

Q. What management are you referring to?
A. The management at FirstEnergy Corporation.
Q. Which is the holding company that owns both the EDUs and FirstEnergy Solutions.
A. That's correct.
Q. Please turn to page 8.
MR. KORKOSZ: Of his testimony?
Q. Page 8, lines 1 through 3, we were here just a moment ago.
A. Yes, I have it.
Q. Does the company -- now, at this point there's an expression, a statement on line 1 concerning "limited exceptions" and then there's a number of possibilities listed there through line 8.
Does the company have any expectations concerning these exceptions, in other words, forecasts concerning the levels these items could be exceptions to generation rates?
Mr. Blank, are you thinking?
A. Yes, I am reading the material which you have referenced to make sure --
Q. I'm sorry, when the communication goes

blank, I am sometimes worried I am cut off. Thank you very much. It is fine if you want to think about that. Let me go through specific examples.

A. All right.

Q. You mention in line 6 "fuel cost increases in 2011." Do you see that?

A. Yes, I see that.

Q. Does the company have an expectation that the fuel costs will be higher in 2011 than earlier?

A. I don't know whether we have such an expectation or not. I know that there are certain open arrangements which have to be completed by FES at that point, so I don't know what the result of that is going to be.

Q. Could you explain what you mean by "open arrangements"?

A. I believe there are still some of the contracts that FES has for procurement of fuel that have reopener provisions in it, and the reopenners are based upon all sorts of economic and market factors, and so we expect there will be changes. We just don't know whether they will be increases or decreases going into the future.

In that case I don't know whether there

will be increases or decreases. I don't know if anyone at FES knows, but I don't think anyone at the utilities would know.

Q. Okay. Does the FirstEnergy EDUs have forecasts for fuel costs?

A. I believe there are forecasts but that's just what they are, they're forecasts. They're not -- we can't commit to a forecast along those lines.

Q. The question is do those forecasts indicate fuel cost increases in 2011?

A. Mr. Small, I believe the answer is yes, but I do not know the magnitude.

Q. Could you please explain the term used on line 7, "transportation surcharges." What are transportation surcharges?

A. My understanding is that the rail transportation contracts that FES has have specific provisions which are called transportation surcharges which relate to the cost that the railroad company pays for its own fuel to -- for its own locomotion, and those clauses state to the extent that that fuel cost that the railroad companies incur, to the extent that that varies, in whatever ways that it varies, is a transportation surcharge.

Q. So as I understand it then the exception that you're mentioning on page 1 would include no real fuel cost increases built into FES's contracts; is that correct?

A. I know that some of the increases are covered by the companies and not passed along as part of a cost arrangement to customers, and that's identified in the plan about what numbers they are.

Q. Is there anything in the application or other file materials regarding expectations or forecasts whether there would be transportation surcharges or not?

A. There's nothing in the application about any numerical value associated with those, and it seems to me if anyone is smart enough for betting on oil prices and doing it successfully, they probably wouldn't be participating in this deposition today.

Q. Would it be fair to say that a reasonable expectation would be that these fuel costs are going to go up?

A. Given that we have seen the cost of oil drop in the last two or three months, I'm not sure I would agree that it would be such a reasonable expectation. It could go up or it might go down. It might do neither. I don't know.

Q. Since you say the material is not found in the -- that is, the forecasts are not found in the application or other materials, does the company have such forecasts what the charges are likely to be?

A. I suspect that FES has forecasts. I don't know what you mean by "company." I don't know whether the utilities have such a forecast.

Q. Mr. Blank, under circumstances where the fuel costs go down that would be for the railroad, does the plan call for lowering the rates that are charged to customers?

MR. KORKOSZ: Mr. Small, may I request when you said the fuel prices go down and then you referred to transportation costs, could you clarify whether you are talking about fuel costs or the transportation surcharges?

MR. SMALL: Certainly. I'm talking about exactly the same clause operating in exactly the same fashion I was asking about the increases.

Q. Mr. Blank, I'm asking whether these exceptions, this specific exception that you note on page 8, line 1, goes both directions, both for increases or decreases in rates?

A. Mr. Small, I'm referring to page 14 of the application in section I where the ideas for this fuel transportation surcharge is laid out where it states: To recover increases in fuel transportation surcharges imposed by shippers in excess of a base line level of $30 million in 2009, 20 million in '10, and 10 million in '11, and it operates for increases above those baseline levels and there is no adjustment for decreases.

Q. Let's turn to page 9 of your testimony. On the very first line you cite a number of $96 million. Do you see that?

A. Yes, I do.

Q. And as I understand it, this is your representation, that this is $96 million in plan benefits that would not be charged to customers, is that correct, would not be itemized and charged to customers?

A. These are costs which will not be passed along to customers.

Q. Now, I've worked on the math to the remainder of page 9 a little bit, and I don't come up with $96 million over a three-year plan period. I see $1 million without a specific time period under point 1; $5 million per year under point 2; $5 million a year under point 3, and $15 million under 4, which is $76 million over the three-year period.

Is there some problem with my math that I haven't been able to come up with $96 million over three years?

A. I think you have identified a correction I have to make to my testimony because the item on No. 2 and 3 is a five-year period in both cases not a three-year period.

Q. Have you already formulated the change that you plan to make to your testimony?

A. You've just pointed it out to me so I have not, but I can opine here that the $96 million is based on -- it's $1 million in item 1. It's $25 million for a five-year period in item 2, $25 million in item 3 for five-year period, and $45 million in item 4 for a three-year period.

Q. So the benefit here is for over a five-year period rather than the three years that you state on line 20.

A. That is correct. As I stated it, two of the items are on a three-year period and two items are a five-year period. Thank you for pointing that out.

Q. But throughout your testimony when you refer to the plan period, and we will encounter this later on the in deposition you are referring to a three-year period.

A. No, I don't think so. I think I'm referring to -- I think it depends which element it is. For example, there's a longer period stay-out than three years for the distribution rate levels.

Q. I'm not trying to be tricky here. I'm trying to get a definition, for instance, on line 2, page 9 there's a term "plan period," and you use that repeatedly in your testimony. I was just asking when you use the term "plan period" whether you are talking about three years.

A. Generally I'm talking about a three-year period of time, Mr. Small, but there are some elements of the plan that extend beyond the three years.

Q. This is more of a matter of definition.

A. So I think you would say the plan period, we would be talking about a five-year period for the distribution stay-out. We would also be talking about the extended period for recovery of the deferrals as well, but I think generally we would speak to the three-year plan unless there is a specific exception identified.

Q. Let's move on to page 11, line 7 through 9. In the entire portion of your testimony which really starts on page 8, you're discussing on line 9 and 10 of page 8 that the plan contains a broad set of additional benefits to customers and the company.

Now, there's--

A. Mr. Small, I didn't get the reference. If you could identify that again, I'd appreciate it.

Q. I'm just trying to lead up to this portion of your testimony which has a number of bullet points. It actually appears to start on page 8, line 9 where it says these bullet points are going to display additional benefits. Is that a fair statement?

A. Yes, starting on page 8, line 9 it says: The plan contains a broad set of additional benefits. And then we go on through a series of bullet points, that's correct.

Q. That continues on to where I am, which is page 11, lines 7 through 9 which is another one of those bullets, right?

A. I think it continues on to page 12 actually, but yes, it includes the page 11 items.

Q. Right. And the items that I have identified on page 11, lines 7 through 9 refers to a new supply agreement between the companies and FES. Do you see that?

A. Yes.

Q. And that's the agreement that you previously referred to as having a commitment from FirstEnergy Corporation; is that correct?

A. That's correct.

Q. And then is it also your understanding that FirstEnergy Corporation has not only committed to the supply prices and so forth but also to other elements including providing renewable requirements for the generation supply?

A. Yes.

Q. All right. Staying on page 11, going to lines 10 and 11, there's a mention of capital investments and a commitment to an aggregate of $1 billion over a period 2009 to 2013.

A. Correct.

Q. Again on page 8 these bullet points are supposed to be additional benefits. Would you agree with me that the items that I identified on page 11, lines 10-11 is only an additional benefit if the company wasn't going to do that already? I mean, these are not benefits, they're additional benefits of the plan, correct?

A. They are additional benefits, and the benefit here is the commitment to make such investments. There's no commitment otherwise to that.

Q. Is there an expectation by the company how much it would be spending over the period 2009 to 2013?

A. I expect there are budgets, but I don't know if there is an expectation of what is really going to happen. Again, I think we're talking about a commitment at this point that doesn't exist otherwise.

Q. Do you know what those budgets are for the period 2009 to 2013?

A. I do not.

Q. Are you aware of the budgeting process for the capital investments?

A. What do you mean by the budgeting

process?

Q. Well, you said -- I think you said you think there are such budgets, but I'm asking whether you are aware of the process that FirstEnergy EDUs use to come up with their budgets?

A. I'm only familiar in a very, very broad sense and I am not familiar in a detailed sense.

Q. Well, in a very broad sense who would approve such budgets?

A. Well, I believe the Board of Directors of FirstEnergy Corp. There are several intermediate approvals with that.

Q. What would those intermediate approvals be?

A. Now you are getting into the details that I probably don't know very well with enough assurance that I can solemnly swear to the truth of it because I don't really know the details there.

Q. Let's go to page 12, lines 17 through 19.

A. I have that reference.

Q. Why don't you keep that reference, and just backtrack a second. Are you involved at all in the budget process for the capital investment in energy delivery systems? Are you involved in the process?

A. Define "involved."

Q. Well, I mean it broadly as in you're either preparing numbers or you're somewhere in the chain of reviews of those numbers and otherwise making recommendations concerning those numbers.

A. To the extent that the energy delivery budgets would include items that would potentially need regulatory approval, I would be involved in some of that activity, such as, for example, there is something in New Jersey called an Energy Master Plan which has certain specified requirements about various expenditure -- various programs that will end up having costs and recoverable costs. So my department gets involved in some of that activity, for example.

But relative to the dollar items comprising that billion dollars, I am not involved to my definition of involvement with respect to that.

Q. This commitment of one billion dollars, no less than one billion dollars over the period 2009 to 2013, requires regulatory approval, or at least it's part of the plan before the Public Utilities Commission, correct?

MR. KORKOSZ: May I have that question reread please.

(Record read.)

A. First, I would note I don't see an "at least" anywhere in the bullet that you are referring to. The commitment is part of the application in the ESP, I would agree to that, and yes, we would expect the Commission is going to rule on the ESP.

But I am not involved in the capital investments and their energy delivery systems that go into that billion dollar relative to budgeting process. But you asked a much broader question than that earlier, which is what I was attempting to respond to.

Q. Okay. Your subsequent answer when you stated that you would be involved in the process to the extent it required -- or involved in regulatory approval suggested that you would have had input into the budgeting process for the energy delivery systems for the next years for the FirstEnergy EDUs. Is that correct or incorrect?

A. I attempted to clarify, Mr. Small, that there would be limited situations where I would have something to do with the energy delivery budgeting process, and I described an example, but that example would not be so broad as to encompass items which impact the billion dollars referenced on page 11. So I am not involved in that approval or review process for that type of budget arrangements.

Q. Okay. Back on page 12, and I referred you to lines 17 through 19.

A. Yes.

Q. At this point you've referred to a factor inflating the increases. Could you explain what that factor is?

A. There is a statement that says: "I should further point out that the increases reflect and are inflated by the impact of expiring customer contracts as part of the overall increase." Is that what you are referring to?

Q. Yes. Could you explain that?

A. Yes. There are a number of customer contracts that expire by their terms during or at the end of 2008. When those contracts would go to whatever the new tariff would be, that is an increase. That increase, that dollar amount of increase, is included in the calculation of the 5.23 percent value identified on line 10.

So to put it another way, the 5.23 percent item on line 10 includes the impact of the expiring -- the increases to expiring contracts.

Q. So the expiring contracts that you're referring to are what is commonly referred to at the Public Utilities Commission as special contracts that were submitted to the Public Utilities Commission for approval? Are those the contracts that you are referring to?

A. Yes.

Q. Are there any other contracts other than the ones that I described?

A. There may be some section 34 contracts which would be contracts with governments, but I don't know whether there are or not. That's a speculation at this point on my part.

Q. All right.

A. But, Mr. Small, those increases are also included in the 5.23 percent if, in fact, there are any section 34 contracts.

Q. All right. Would you please turn to exhibit attachment 1 of your testimony. I would like the walk through this exhibit. It seems to summarize a lot of the portions of your testimony so I want to make sure I understand these tables.

Now, for the preliminary there are four pages to this, one for each one of the companies and then an aggregated total Ohio; is that correct?

A. That's correct.

Q. So if we add up the figures on the pages 2, 3 and 4, we come up with the numbers on the Summary - Total Ohio, correct?

A. That's the intent.

Q. Okay. I want to walk through the various boxes here just to make sure I understand the numbers and the labels and so forth where the numbers are coming from.

Let's start out at the very top and I'm going to be working on attachment 1, page 1 of 4, which is summary table, but if there are points that should be made in response to my questions that are specific to the companies, I'd appreciate it if you would point it out. All right?

A. I'll attempt to if I recall to do that.

Q. Okay. Up at the top, Model Assumptions, do you see that box?

A. Yes.

Q. All right. To begin with the 2008 Sales, as I understand it from a portion of your testimony your table deals with both supply to customers that are presently taking their generation from the company as well as from competitive suppliers; is that correct?

A. Yes, that's correct. That is what we refer to as a delivery sales value.

Q. So the delivery sales means this is at the meter, regardless of the provider of the generation service.

A. Yes.

Q. So the sales growth rate, does that come from a load forecast?

A. Yes, it does.

Q. Is that one that was presented to the Public Utilities Commission?

A. I don't know.

Q. All right. Discount Rate, how did you arrive at the discount rate?

A. The discount rate is the rate of return value which one gets by using the midpoint of the staff's rate of return calculation in the distribution cases, the weighted cost of debt and equity.

Q. And as I understand, where you have multiple years here for when rates change, dollar values change, the discount rate that you show at the top under Model Assumptions, that's the discount rate you use in order to come up with net present value; is that correct?

A. That's correct.

Q. And there are no other -- that's the only discount rate that's used in calculating that present value, correct?

A. It's the only discount rate used in calculating net present value. There are carrying charge rates applied to certain of the deferral recoveries which is not equal to the discount rate but that's referred to in the plan.

Q. That's in order to determine what the actual values are that are in the table.

A. That's correct.

Q. And then the 8.48 would be applied in order to arrive at a net present value.

A. Yes.

Q. Now, the 2009 to 2011 market rate you show at top of Model Assumptions, those numbers are for each year. Let's take one at a time. 82.57, that is an average of Mr. Jones and Mr. Graves' number that you show on the box to the right, the Consultant Market Rates; is that correct?

A. Yes.

Q. And same thing would be true of 2010 and 2011, those are the average of the Jones and Graves numbers you show in that table?

A. Yes.

Q. All right. Let's work down to the box that is labeled ESP. Do you see that?

A. Yes.

Q. Now, the distribution rate growth refers to the distribution rate increase that is proposed in the plan; is that correct?

A. Yes.

Q. Where does the $25 million deferral for CEI that was part of the application, where does that appear in these tables?

A. I believe that appears in the CEI table and on the summary table as part of the Deferral Recovery - CEI Distribution, $25 million line.

Q. Okay. So that would be special to CEI. It has a number there, for instance, it is page 2 of 4, there are numbers there but not for the other companies.

A. That's my understanding.

Q. The Distribution Improvement Rider is the next row under the ESP box.

A. Yes.

Q. Where do those numbers come from?

A. That's the application of the 2/10-cent per KWH rate expected sales year by year. We did not make any adjustment for any performance improvement or disimprovement in that value.

Q. ESP Generation Rate is the next row.

A. Yes.

Q. Let's go to the right. For 2009 it says 67.50. Do you see that?

A. Yes.

Q. How is that number arrived at?

A. That is the generation rate $75 less the deferred amount for that particular year.

Q. Does that have transmission charges in it?

A. No. Transmission charges are in neither of the ESP calculations nor in the Consultant Market Rate calculation.

Q. So the Consultant Market Rate

calculations, the numbers you show in the upper right-hand box, those are numbers provided by the consultants, and I guess it's less transmission, correct?

A. Yes.

Q. So all the numbers you have for generation should be without transmission; is that correct?

A. Yes, because they are identical between the two calculations, as we understand it.

Q. Do you mean between the MRO and ESP?

A. Yes.

Q. Now, the generation increase over the 2008 rate 68.18, do you see that?

A. Yes.

Q. Where did that number 68.18 come from?

A. I may have to do some verification on this, Mr. Small, but that is the current expectation of what the rate is in 2008 for generation including the fuel clause impacts which are in effect today. We may have answered a discovery request on that. I do not recall at this point. If we did, the discovery request really should control that answer.

Q. This is a composite generation charge to all customers of the EDUs?

A. I believe that is the case, but I would like to refer to my testimony for just a moment. It is intended to be that composite rate that you referred to, yes. In fact, company by company it is a little bit different, I might note, so it's the impact for each of the companies.

Q. It would be different for the companies because they have their individual tariffs; is that correct?

A. Yes.

Q. And the 68.18 is the composite for all three companies and all the customers.

A. Yes.

Q. That amount, 68.18, apply to the amount of kilowatt-hours or megawatt-hours that are supplied for generation by the EDUs, does that amount get passed through to FirstEnergy Solutions?

A. I don't know.

Q. You don't know if the entire amount or a portion of it gets passed on to FES.

A. That's correct, I don't know.

Q. Okay. Would you turn to the material that was faxed to you, which is a document taken from the Federal Energy Regulatory Commission. It has a title on it FirstEnergy Solutions Corp, Docket No. ER06-117-000.

A. I will in a minute.

MR. KORKOSZ: The witness has the document. He has not yet reviewed it.

THE WITNESS: I have the document.

MR. SMALL: I would like to ask a question and then have him review. It is only a few pages so it shouldn't take too long to look it over.

MR. KORKOSZ: Mr. Small, he is looking at a document, the final page has a page number 9 at the bottom. The document, the text on the document doesn't appear to go absolutely to the bottom of the margins. I'm wondering if this is a complete document, for example, I don't see there are any signature blocks or the like.

MR. SMALL: You're correct, I only sent what I considered to be the relevant portions. The signature blocks and so forth have not been included.

MR. KORKOSZ: I don't know where you are going with this document in this case. I would at least note for the record that while this purports to be an issuance under the auspices of the Federal

Energy Regulatory Commission that we may not have a complete document before us.

MR. SMALL: All right. I haven't asked a question yet.

MR. KORKOSZ: I understand.

Mr. Small, may I make a suggestion. We have been at it here about an hour and 20 minutes. Would it make sense to take a ten-minute break at this point and perhaps attend to personal matters as well as allow a review of this document?

MR. SMALL: Yes. Normally I wouldn't do it in the middle of a table, but if Mr. Blank is going to take more time with the document, let's make the most efficient use of our time. Should we reconvene at 10:30?

MR. KORKOSZ: I have 22 after. Let's say whatever anyone's watch says at the moment, make it ten minutes from now.

MR. SMALL: Any objection?

(No response.)

MR. KORKOSZ: All right. Ten minutes.

(Recess taken.)

MR. SMALL: Let's go back on the record.

We had an off-the-record discussion where the OCC transmitted the entire document. I will go on with my questioning and come back to the exhibit that the OCC has.

Q. (By Mr. Small) Mr. Blank, you are there again?

A. Yes.

Q. I'm going to continue to explore the contents of attachment 1 to your testimony but with reference to some of the material that is elsewhere in your testimony. Right now I am on page 17, line, 23. With respect to the number $591 million on line 23 of page 17, keeping your finger on that point and looking back at attachment 1, is it correct that that is found in the summary table by looking at CEI, RTC Residential Credits row?

A. Yes.

Q. And then if I add up 316 and 275 I come to the 591 figure.

A. Yes.

Q. Are you aware that Mr. Wagner has a $485 million write-off of the same item, a write-off of the approximately $481 million. Are you aware of that statement in that testimony?

A. I am aware of the statement in his

testimony but it is not the same item.

Q. Can you explain is difference between the two of them?

A. Yes. Mr. Wagner talks about what the write-off is to the utility companies' books, and I'm talking about the impact on the revenue or charges to customers.

Q. So it's the same concept but -- I guess when you said -- I don't recall exactly what you said, that they are different somehow. The difference that you're pointing out, one is the effect on the company and the other number is the effect on the customers; is that right?

A. Yes. Mr. Wagner's reflecting the accounting. I'm reflecting the rate impact.

Q. But they stem from the same underlying cause.

A. Yes.

Q. All right. I have additional items on the table. Going back up, I'm still in the block that says ESP on it, and I'm back at the Distribution Improvement Rider. Is it correct there are deferrals attached to the Distribution Improvement Rider?

A. Let me review the application for just one moment. I don't believe there are any deferrals associated with the distribution service rider -- Delivery Service Improvement Rider, I'm sorry. In fact, Mr. Small, I think that's -- thank you for pointing that out the Distribution Improvement Rider reference on the chart should be Delivery Service Improvement Rider. The reference is to we have the acronym DSI.

Q. What line do you find -- let me read this from Mr. Wagner's testimony and see whether I maybe misunderstood what he said. It says -- I'm on page 4 of his testimony. I realize you don't have it in front of you, but I am just reading it for context.

"The Companies' request that interest be deferred monthly during the period January 1, 2009 through December 31, 2013, at a rate of 0.7083 percent, on the cumulative deferred storm damage costs, deferred additional line extension costs, deferred costs associated with the distribution capital investments and deferred interest costs."

Does any of that impact the Distribution Service Improvement Rider that's shown on your attachment 1?

A. Not to my knowledge, and I expect the -- the answer is no, not to my knowledge.

Q. Just trying to explore if there should be numbers beyond 2011. But you believe the impact here is only from 2009 through 2011.

A. That's correct, it is the Distribution Service Improvement Rider value times the sales levels, and that's the only charge associated with that, subject to the performance arrangement which we talked about earlier.

Q. Which are not in the table, correct?

A. They're not in the tables. There's no impact for a performance, positive or negative.

Q. Does the line as I read here, Distribution Rate, the one just above the row we were just looking at, does that cover the companies' request concerning line extensions?

A. Which request concerning line extensions are you referring to?

Q. Well, what is your understanding of the companies' application as far as how line extensions would be treated as far as distribution rates?

A. My understanding was in the distribution rate case we requested rate base treatment for deferred line extension costs. The Commission staff in its Staff Report recommended inclusion of that balance up through the date certain and did not make a recommendation relating to additional deferrals postdate certain, or if it did, it said deal with it in another case.

The "deal with it another case issue" is part of the deferral arrangements which would be recovered either under the ESP or in a subsequent case, but they would be identical between ESP and the consultant market rates portions of these, is my understanding.

MR. KORKOSZ: Mr. Small, could we clarify that Mr. Blank is referring to deferrals in line extensions associated with the line extension case out of approximately 2001, 2002, 2003, somewhere in there?

Q. Let's make it really clear rather than referring to a case. Mr. Blank, the deferrals you are referring to stem from the difference between what the AMP-Ohio pays for a line extension and what it receives from the customer from that line extension; is that correct?

A. In general terms, yes, I no longer have a lot of familiarity with the details of the line extension arrangement.

Q. Okay. Under circumstances where, again, stemming from a situation where there's a line extension, I'm talking about going forward here during the plan, if there's an line extension and the cost to the companies exceeds those paid by the customer, how is that difference treated under the application?

A. Mr. Small, I can either read the application in its entirety because I do not recall at this point, or you can enlighten me.

Q. I actually don't know exactly what the companies' position is with respect to that. But what I'm particularly interested in is how the charges to the customers are reflected in your attachment 1.

A. Well, I believe they would be the same under the ESP and under the Consultant Market Rates so they're not considered. There's no difference between the two so they shouldn't be considered.

Q. Okay. So you're saying that a clarification concerning attachment 1, attachment 1 is reflecting only those things you believe are different between the MRO and the ESP.

A. I thought that was pretty clear in my testimony, but if it isn't, this is intended to be the differences, yes.

Q. Are you aware that in the distribution case recently hearings concluded but no order, that Mr. Fortney on behalf of the staff testified that the deferrals that you just referred to should come to a halt because it was -- the deferrals were a temporary measure to take the company up to the point where rate cases were permitted. Do you recall Mr. Fortney's testimony in that respect?

A. I recall there was a staff position relating to line extensions, but I don't know who testified about it or what the position was.

Q. But you recall it was different than the companies' position?

A. I recall there was a difference from the companies' position but I don't know any of the details.

Q. Well, that sort of gets to the heart of the explanation that these tables include items that -- only items that are different between the two. If the staff's recommendation that a distribution case took effect for distribution and we had an MRO, that would be the difference between the MRO case and the ESP case, correct?

A. Just a moment please. I'm still referring to the application. As I read the application and recall the intent of the application, we identified a dollar amount of rate increase in the ESP. We did not take a position that I recall relating to future line extension arrangements, and as a result my belief is that the line extension arrangements in the ESP going forward and the Consultant Market Rate arrangements, they would be the same so there's not a difference.

Q. Let me approach it more broadly. The company has proposed a certain set of distribution rates that would essentially make a Commission decision in the distribution case unnecessary. Is that fair? In other words, wrap it up in this case and not have a separate decision in the distribution case.

A. Our proposal is that the distribution case be resolved as we identify it in the application.

Q. But if the distribution case, if we had the MRO go forward, that would necessitate, in other words, rejection of the ESP. If we had the MRO go forward, that would necessitate a decision in the distribution rate case, correct?

A. Yes.

Q. Okay.

A. I would certainly hope so.

Q. To the extent there would be a difference between the resolution of the matters in the distribution rate case and the values that the company has proposed for resolving those matters in the ESP, there would be a difference between the ESP and the MRO cases, correct?

A. Yes.

Q. That difference is not reflected in your attachment 1.

A. I don't think it was appropriate to reflect there would be a difference.

Q. But there could be a difference. You wouldn't expect that the company would come up with exactly to the exact dollar the numbers you put in your ESP application.

A. I would expect the Commission if there were a separate decision on the MRO case, that the distribution rate result might be far higher than what we recommended for this plan.

Q. You are aware that the numbers proposed by the company, by FirstEnergy EDUs in the ESP case, are higher than the staff-recommended numbers in the distribution case, correct?

A. Yes. And they're lower than what the company requested.

Q. Just to wrap things up, there would be differences but you didn't quantify -- there would be differences between the MRO and the ESP stemming from a decision in the distribution rate case but they're not in your attachment 1?

MR. KORKOSZ: Object to the word "would" in the question. We don't know what the Commission will decide in resolving the ESP if it were forced to do so, but the witness may answer.

A. I don't know whether there would be a difference or not. I don't know why there would be a difference. It's theoretically possible that there could be a difference, but that doesn't mean that there would be a difference.

Q. All right. So your expectation is that the Commission -- a separate decision in the distribution case would be the exact dollar amount that you put into the ESP application.

A. The presumption is that the distribution rates would be the same between the ESP and the market rate arrangements.

Q. When you say "presumption," do you mean for purposes of putting together your attachment 1?

A. Yes.

Q. That isn't your expectation. I mean, that's the way you put together the table, but that's not your expectation, what the Commission would come up with exactly the dollar figure that you have in your application. You stated earlier it could be higher or it could be lower, right? You don't expect it to be the exact dollar value.

A. There are a number of ways you can evaluate those cases, Mr. Small. I would expect that the difference, if any, would be relatively small in comparison to any total difference between the two arrangements, if there were a difference at all.

Q. Can you tell me -- I'm back on line CEI - RTC Residential Credit. Do you have that?

A. Yes.

Q. Do you know whether there are any -- in the application whether there's any documentation on how to come up with the $316 million figure and $275 million figure for 2009-2010?

A. Just a moment, please. Yes, I do. Referring to the application on page 9, the details are included there.

Q. Mr. Blank.

A. Yes.

Q. There may have been some confusion on my side. I was waiting for you and you may have been waiting for me.

A. I apologize, I was waiting for you.

Q. I think I inadvertently hit the mute button here. Let me ask the question again. You referred to page 9 of the application.

A. I did.

Q. And you were referring to 1A on page 9.

A. Yes.

Q. Which includes footnote 9, correct?

A. Yes.

Q. And is that the extent of the documentation for those numbers?

A. What do you mean by "the extent of the documentation"?

Q. Well, that sort of repeats what's in your table. It doesn't really provide the calculation. I was asking if there was something else important to the amounts that are shown in your attachment 1.

A. I'm sure there are. I don't know what they might be at this point in time. I had asked for that information from staff members and received it.

Q. Okay. Let's go back to the aggregate generation rate you show on your attachment 1. Do you have the FERC filing I referred to earlier?

MR. KORKOSZ: Mr. Small, we received the second fax if that's what you are talking about. We have received the second fax and I'll represent for the record there's a cover page that indicates 37 pages. I have just briefly leafed through it. It appears to contain various consecutively numbered sections. I didn't immediately see there was anything missing, but from my brief review that's what we appear to have before us.

MR. SMALL: Is obtained from FERC, and it's a full copy as far as I can tell.

Q. Mr. Blank, if I could direct your attention to page 3 of that document?

MR. KORKOSZ: The page numbered 3?

MR. SMALL: Numbered 3.

MR. KORKOSZ: There are a couple of pages that are numbered 3 because the numbering sequence starts over again. We're looking at the first page No. 3.

MR. SMALL: All right.

MS. FONNER: Could you please provide a reference what he was looking at again?

MR. SMALL: I mentioned it earlier, but I will repeat it. This is a document filed at the Federal Energy Regulatory Commission. The caption is FirstEnergy Solutions Corp. The docket number ER067-117-000. The title of the document is Settlement Agreement.

I don't know about the numbering, but I think the numbering on the first document is clear, and I referred to page 3. But the document also has paragraph numbers, so I will refer to the paragraph. Paragraph 4 is what I'm referring to.

And it has a title on it: Price to Ohio Operating Companies for Ohio POLR Service, P-O-L-R service. Do you have that Mr. Blank?

A. Yes.

Q. And then over on the next page, same paragraph 4, it has a 2008 figure of $53.62. Do you see that?

A. Yes.

Q. Really what I'm trying to arrive at is why the $68.18 -- let me give one more comment regarding the background. Would you agree with me that the 53.62 I show on paragraph 4 is a capped price?

A. I don't know.

Q. Well, on the bottom of page 3, the bottom of the page where the paragraph 4 begins, it says: "The wholesale Price Cap applicable to such sales." Then it says right before the 53.62: "The Wholesale Price Caps related to Ohio POLR Service for each year of the Ohio Power Supply Agreement are as follows." And then it has the 53.62. Is there any reason to think that is not a cap price?

A. I see the words, Mr. Small. I don't know what "wholesale cap" means, if there's another definition in here. I can't tell you that I am today familiar with the details of this document.

Q. Well, generally, are you familiar with an agreement between the EDUs and FirstEnergy Solutions that caps the prices that FirstEnergy Solutions charges the EDUs for generation services?

A. I'm familiar there is a power supply agreement between the Ohio utilities and FirstEnergy Solutions, and the details of that I am not familiar with.

Q. Is it your understanding they have an agreement where FirstEnergy Solutions abides by terms worked out before the Federal Energy Regulatory Commission.

A. Could you rephrase that. I didn't understand the grammar:

MR. SMALL: Read that back.

(Record read.)

Q. I add the clarification that the matter before the Federal Energy Regulatory Commission approved matters for the contract. Is it your understanding that the FirstEnergy Solutions contract with the EDUs abide by a matter that was resolved by the Federal Energy Regulatory Commission?

A. I don't recall the regulatory details before the FERC, Mr. Small, but I know there were discussions associated with these arrangements, and I am absolutely convinced that whatever is stated in these arrangements is how the pricing is determined between the utilities and FES, and somehow or another the FERC was involved with it but the details I'd have to review.

Q. Okay. Let's go back to your attachment 1. I'm sticking with the explanation and the $58.18 we referred to earlier. Do you remember that?

A. Yes.

Q. Can you tell me how that number was arrived at for your attachment?

A. I can tell you in general terms. By company we took the tariff rates which were approved as part of the RSP and RCP for generation rates as well as for the rate stabilization charge, and to that we added the FRM values, the fuel adjustment clause values. These are rates charged by the utilities to customers.

Q. I'm not sure you completed the explanation. You took the tariff rates that would be applied to a KWH figure to come up with revenues or something like that. There's more to the calculation than just looking at the tariff rates, correct?

A. These are the accumulation of rates charged to customers pursuant to whatever the arrangements are that we charge this customers.

Q. Okay.

A. I believe those are generally the tariff rates.

Q. Okay. You described the tariffs that would go into the 68.18. Obviously, 68.18 doesn't come from any tariff so I'm asking for the formulation of the calculation. Are you taking a revenue value for someplace and dividing it by a KWH in order to come up with the 68.18?

A. Well, I needed a comparison basis, Mr. Small, for what is different between the ESP and MRO calculations here. And the rates which we charge to customers are identical in both situations, and in both situations we're taking a difference from what we believe the rates are producing today on average.

Q. That's not responsive to my question.

A. I apologize. I tried to be responsive.

Q. I do see the 68.18 under both the ESP and the Consultant Market Rates but I'm asking for how the 68.18 was arrived at. And I'm interested in the calculations here, and I suggested that it might have been a total revenue divided by the total KWH, but I'd like you to walk me through how that calculation would be done.

A. I do not have the details of that calculation with me here today, Mr. Small.

Q. Would that rate include values that would be part of the tariffs -- revenues from those tariffs, would part of that go to EDUs and not flow through to FES under the contract between the EDUs and FES?

A. Well, the totality of that 68.18 dollars per megawatt goes to EDUs.

Q. That wasn't my question. Again, I was asking if there is a portion of that that does not flow to FirstEnergy Solutions as part of the wholesale agreement with FES.

A. Well, you're talking about two different sets of arrangements. The first arrangement is the charges to retail customers from the utilities. The second is the contract rates between the utilities and FES.

Q. That's correct, I'm asking about two different things and whether they are the same or different. Would the 68.18 applied to the appropriate KWH, would that entire amount be paid to FirstEnergy Solutions?

A. I have not reviewed the totality of the contract between -- the PSA agreement between the utilities and FES you just sent to us this morning, Mr. Small, at least I haven't for a very long time, and I don't know to answer to your question.

Q. Okay. I am looking at page 2 of your testimony. It talks about your responsibilities as vice president of rates and regulatory affairs. Page 2, line 2 of your testimony you describe your activities as including, and I quote, "participation in electric supply procurement arrangements for the Companies." Do you see that?

A. Yes.

Q. What are your responsibilities that you describe in that portion of your testimony?

A. I supervise the companies' participation in the New Jersey BGS auctions. I supervise the companies' participation in the Penn Power procurement arrangements. I supervise the activities associated with the auctions which we have proposed in front of public utilities commissions in the past. That's what I'm referring to.

Q. Those responsibilities do not extend to the electric supply procurement arrangements either in the past or going forward with FES?

A. I wouldn't say that. I have staff members who worked on this contract at this point in time -- pardon me, at the time this document was prepared, you know --

Q. I'm sorry, I don't know what document you're referring to.

A. The power supply agreement that you referred to. The people in my group do this work and I supervise it, but that doesn't mean I know every single detail associated with it.

MR. SMALL: That concludes my examination.

Rosemary, would you please attach the document that was faxed to Mr. Blank and attach it to the deposition as OCC Exhibit 1.

MR. KORKOSZ: It is being presented to the court reporter.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. KORKOSZ: I understand that completes your examination. May I inquire of the attorneys in the room what their expectation is in terms of time at this point.

MR. BREITSCHWERDT: I would expect

probably 15 to 30 minutes.

MR. KEIFFER: We may have some small follow-up questions.

MR. KORKOSZ: How about the folks on the phone?

MS. FONNER: Approximately 20 to 30 minutes I anticipate for Mr. Blank.

MR. BELL: I would expect 45 minutes to an hour and a half.

MR. YURICK: This is Mark Yurick on behalf of Kroger, maybe 10 to 15 minutes.

MS. McALISTER: This is Lisa McAlister, approximately five minutes.

MR. ROYER: Barth Royer, about the same.

MR. STINSON: Dane Stinson, approximately 10 to 15 minutes depending upon the questions asked.

MR. LAVANGA: Mike Lavanga for Nucor, maybe five minutes if I have any questions at all.

MR. KORKOSZ: Anyone else?

MR. MILLER: Chris Miller, City of Cleveland. I think OCC covered most of ours. I doubt we will have any but I will hang on.

MR. KORKOSZ: From the estimates that we were given and noting that the time at the moment is

11:20, I would note that Mr. Wagner is scheduled to commence at 1:30, and I don't know the extent to which somebody who isn't on the phone now might want to participate in that deposition.

Obviously, we're prepared to go forth at this point, but I caution everyone that as we approach 1:30, we may be in the position of having to make some accommodation for the fact that Mr. Blank isn't finished and Mr. Wagner is scheduled to go forward.

I will leave it, obviously, to the parties if they have a preference as to who goes next. I would offer the humble suggestion that perhaps it might make sense for the parties that have shorter and limited cross-examination to get that done first, but I'm at the pleasure of the parties.

MR. ROYER: I'm happy to go.

MR. KORKOSZ: Mr. Royer, is that you?

MR. ROYER: Yes.

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EXAMINATION

By Mr. Royer:

Q. Good morning, Mr. Blank.

A. Good morning.

Q. I have just a few questions for you with respect to the $25 million commitment to energy efficiency and DSM program that is part of the proposed ESP.

A. Yes.

Q. How was the amount of that commitment determined?

A. It was determined as an exercise in management judgment in light of the totality of the plan.

Q. Was there a consultation with consultants in this area to determine the impact of a commitment of that level?

A. No, not that I know of.

Q. Is there anything in the plan other than the statements at page 25 of the application regarding the specifics of how this would best be employed?

A. Not that I know of.

Q. When you discussed or when the application talks about the investment provided significant incentive for customer implementation of such programs, is the reference to programs there FirstEnergy companies' program or does it mean specific customer-sided projects?

A. I think it could include either one of those categories.

Q. Didn't have anything in specific in mind at that time?

A. That's correct.

Q. Have you had an opportunity to review the proposed rules -- well, the rules that were recently adopted in case 08-777 and the ones under consideration in 08-888?

A. To some extent.

Q. Is there anything in -- recognizing that the company didn't have the benefit of the rules at the time it filed its application, is there anything in those rules that changes your thinking with respect to how the investment will be deployed?

A. Well, given that we didn't have any specific concepts how this was going to be deployed and I don't know that we concluded how anything else will be deployed as a result of those rules, if at all, I don't think I have anything to add.

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

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EXAMINATION

By Ms. McAlister:

Q. Good morning, Mr. Blank.

A. Good morning.

Q. I'd like to follow up with a discussion you had earlier with Mr. Small earlier about page 8 of your testimony where you state: "With very limited exception, all beyond the control of the Companies or its generation supplier, the rates in the Plan are not subject to change during the Plan period as a result of cost variances."

Do you recall that discussion?

A. Yes.

Q. You list the exceptions there on page 8, but I'm wondering if you have schedule 3A in front of you?

A. Schedule 3A?

MR. KORKOSZ: Of the ESP filing?

MS. McALISTER: Yes.

A. No, I do not.

Q. Would you accept, subject to check, in schedule 3A, and what I'm looking at is for Ohio Edison, and for future reference, page 57 out of 103, there is a summary rider sheet that lists 26 riders in the plan.

A. I'll accept that subject to check.

Q. Would you also accept subject to check that of those 26 riders, 16 indicate that they will updated on some interval of time, but it will be reconciled annually or quarterly or twice a year.

A. Are you expecting me to check that? Is; that what you asked?

Q. I asked would you accept that subject to check.

A. I'll accept subject to check to that a number of riders have plan changes. Many of them are reconciliation arrangements.

Q. Okay. I'm going to shift your attention to page 9 of your testimony.

A. All right.

Q. At line 18 you say: As part of the new supply agreement between the Companies and FirstEnergy Solutions, that first FirstEnergy Solutions will support environmental remediation of retired generating plants with FirstEnergy's cost responsibility being an annual maximum of $15 million for each year of the Plan.

A. Yes. It's starts at line 14 and then

line 18, FES's cost responsibility, yes.

Q. And under the supply agreement do the companies have cost responsibilities for costs that exceed the annual maximum that applies to FirstEnergy Solutions' $15 million?

A. I don't know the answer to that.

Q. Is that because there's no supply agreement in place yet?

A. Yes.

Q. If the supply agreement does require the companies to undertake cost responsibility for any costs that exceed the $15 million, would the companies intend to recover those costs as part of the ESP plan?

A. I don't know that the supply agreement would deal with any responsibilities that the companies have, vis-a-vis environmental remediation of existing generation plans -- "plants" I think that should be -- but rather the supply agreement will deal with to what extent FES will fund such environmental remediation.

So I don't know what would happen. I don't know if there would be any costs in excess of $15 million during the plan period. But during the three-year period there won't be any further charges to customers as a result of such expenditures.

Q. Okay. But if there are any that exceed $15 million, the companies would seek cost recovery for them, wouldn't they?

A. I don't know that answer.

MS. McALISTER: That's I have, Mr. Blank. Thank you.

THE WITNESS: Thank you.

MR. KORKOSZ: Who wishes to go next?

MS. FONNER: Cynthia Fonner, I can go.

MR. KORKOSZ: Mr. Blank is available.

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EXAMINATION

By Ms. Fonner:

Q. Good morning, Mr. Blank.

A. Good morning.

Q. On page 6 of your testimony you describe the comparison of the ESP versus an MRO as being more favorable in the aggregate. In part you discuss a quantitative analysis. Am I correct that you're relying on Dr. Jones and Mr. Graves for that quantitative analysis?

A. I'm relying on the two individuals you mentioned for the market rates.

Q. Right. So you did not do any analysis of your own with respect to the MR.

A. I have done no specific analysis with respect to the market rates that we used. I'm relying on their results.

Q. And at page 7 you discuss deferrals for base generation prices. I'm on page 7 in the sentence that begins -- the two sentences that begin at line 4. Are you there?

A. Yes.

Q. When you're referring to the 10 percent of the base generation price is deferred, as I understand it that is nonbypassable; is that correct, under the ESP plan?

A. What do you mean by "nonbypassable"?

Q. That were a customer to take supply from a competitive retail electric supplier, they would be paying base generation prices in the future?

A. Could you repeat that question?

Q. Certainly. If a customer were to take supply from a competitive retail electric supplier, would they nevertheless be responsible for payment of base generation prices that were deferred which you refer to in lines 4 through 7?

A. The amount of current charges which the customers would avoid would start at the base generation prices less the deferred amount, if that's what you mean.

Q. If a customer were taking supply from a CRES, would they have for -- for the period of the plan -- would they have any saved generation in those plan years or beyond?

MR. KORKOSZ: Objection. That question is vague. He can answer if he can.

THE WITNESS: I don't understand what you mean. I apologize.

Q. I'm trying to understand whether or not the base generation prices that you're talking about deferring apply to all customers or only those physically taking supply from the companies, from FE.

MR. KORKOSZ: Well, I object. Implicit in that question is a mischaracterization of his testimony because what that section of the testimony refers to is the 10 percent reflecting phase in being deferred, not the base generation price itself.

Q. I'm looking if the line that says "at least 10 percent of those generation prices." Can you clarify that Mr. Blank?

A. We are deferring that for future recovery, and there is another witness who is responsible for how that recovery occurs.

Q. What it be better to ask that witness?

A. Yes. Because although I could probably undoubtedly find the references in the material, I don't have that material with me and I don't want to misstate what it might be.

Q. And who would that be, sir?

A. I think that is Mr. Warvell, but that's subject to check because I'm not sure.

Q. And my understanding from the ESP is that customers are not able to opt out of that deferral; is that correct?

A. What do you mean by "opt out of that deferral"?

Q. That a customer cannot elect to pay let's call it the full price of that commodity today but rather they -- all customers would have that 10 percent of base generation prices deferred to the future.

A. That's correct. There can be no such election to pay the price before the deferral.

Q. I want to turn to page 9, and Mr. Small asked you some questions regarding some of the specific programs that you identified as being of benefit under a ESP, and I just wanted to talk in a little more detail about some of those. Please let me know when you are there.

A. I have page 9.

Q. In No. 1 you describe an AMI pilot program.

A. Yes.

Q. Has FE actually developed the pilot program including the technology and vendors and number of customers and technical details?

A. We have a proposal that is attached to the application which talks about the concepts we are referring to. I don't know how much further we have gone than that. We may have. I just don't know.

Q. And has FE priced out what the total value of the that AMI pilot program is expected to be?

A. I do not know.

Q. On No. 2 you discuss energy efficiency and demand side management activities. Are those projects that have been developed beyond the conceptual level? Again, by that I mean you have a specific plan, vendors, technical details, staffing, et cetera.

A. No.

Q. And when you say annual amounts up to $5 million, I take it from your last answer that you would not know the amount of money that would be required based upon these plans as they're in their infancy, shall we say?

A. We do not know how much money these plans, whatever energy efficiency plans come about, might total. We don't know that.

Q. And that would be the same for any demand side management activities to which you refer.

A. Yes.

Q. In No. 3 you discuss economic development and job retention. Are there specific plans or identified entities that you have in mind with respect to that detail?

A. Not that I know of.

Q. And with respect to 4 and the environmental remediation, has FE priced out, if you will, what the anticipated costs of those remediation activities would be either on a yearly basis or in the aggregate?

A. I believe there are some estimates in the aggregate, but I do not know what they are.

Q. Is that included as part of the ESP, do you know, sir?

A. I think the only part of the ESP is the identification of FES's cost responsibility for this program.

Q. Okay. Turning now to page 10, lines 4 through 7 you discuss deferrals for ETP and RCP distribution with carrying charges of, quote, "very favorable interest rates." Do you happen to know what those rates are, sir?

A. They are I believe the weighted average cost of debt for the utilities.

Q. And is that what you were discussing with Mr. Small at attachment 1 in your testimony?

A. No. The attachment 1 value is the rate of return at the midpoint of the staff's range in the distribution rate cases. That includes an equity return in addition to weighted average cost of debt.

Q. And where would the weighted average cost of debt be found in your testimony?

A. I don't think there are specifics in my testimony.

Q. Do you know where it would be found in the ESP in someone else's testimony?

A. I don't think -- well, Mr. Wagner may deal with a specific number, but I didn't think so. I don't know that there is a specific value in the ESP identified. It's a future value so it would be difficult to know with precision what that is.

Q. Okay. And at lines 15, again on page 10, you talk about renewable --

A. Can I amend my last answer? My expectation in the backup pages for my attachment 1, when we developed -- there's undoubtedly a deferral calculation there. We undoubtedly have a carrying charge rate identified in it. I don't know what it is right now but I believe it is -- in the ESP that's where it would be. There would be a calculation of a carrying charge representing that value.

Q. In the workpapers in attachment 1?

A. That is my belief.

MS. FONNER: Can I make an on-the-record data request to the extent they have not already been provided to Constellation that they be provided?

MR. KORKOSZ: For clarity, rather than

proceeding within an on-the-record kind of request, we still have the discovery period open. We would prefer that to be able to track things more easily that requests for documents be made through the paper process.

MS. FONNER: I think we already asked Mr. Blank's workpapers, but I will look into that.

Q. Again, going back to page 10, line 15 discussing customers' ability to purchase renewable energy credits.

A. Yes.

Q. Renewable energy credits are available to customers, would you agree, from a variety of sources, not only FE but competitive providers in the marketplace today?

A. Yes.

Q. And with respect to the bullet beginning at line 19 regarding capacity, would you agree that competitive retail electric suppliers have capacity obligations for their own load and renewables for advanced energy?

A. I don't know the extent to which such obligations exist for competitive retail electric suppliers.

Q. Fair enough. On page 11 -- and you discussed some of this with Mr. Small but I want to follow up a little bit. At line 10 it's talking about capital investments in their energy delivery systems. Am I to understand that were the Commission to adopt the MRO that FE would not make capital investment in their energy delivery system?

A. I don't think that's anywhere. I don't think that statement's anywhere.

Q. Well, these are bullets, if I understand correctly, that are benefits to the ESP compared to MRO. I am trying to understand that bullet. Are you suggesting FE would not make those investments in their energy delivery system?

A. FE is not making a suggestion there would not be capital investments made in their energy delivery system. What this bullet is saying there is a commitment for this multiple year time period to invest in the aggregate of $1 billion. It is a commitment today.

Q. And that would be recovered over a period of time. That's the deferral that was discussed; is that correct?

A. I don't think that's in any deferral.

That amount would be placed into rate base and dealt with in some future case.

Q. Okay. With respect to the following bullet, "a comprehensive study of energy delivery system enhancement, including Smart Grid," again my question would be absent adoption of the ESP is FE indicating that it would not study delivery system enhancement such as Smart Grid?

A. I am not aware of what the situation would be in the absence of the ESP. I don't know if there would or would not be such a study.

Q. And the last bullet on that page references SAIDI targets. Does FE track SAIDI currently?

A. SAIDI performance, yes.

Q. And the difference between the current operation and what is proposed here is what, the credits or charges?

A. I don't understand the question.

Q. Is SAIDI performance tracked now?

A. Yes.

Q. What is the benefit that is being gained with the ESP reflected in the bullet?

A. What's reflected in this bullet is that there's a proposal that there will be rate credits or charges based upon the SAIDI performance compared to the target. That does not exist today.

Q. Does that performance as exists today, the performance with respect to SAIDI, affect any compensation of FirstEnergy employees?

A. I don't know the answer to that. It may. It may not. I just don't know the answer.

MS. FONNER: That is all I have. Thank you, Mr. Blank.

THE WITNESS: Thank you.

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EXAMINATION

By Mr. Yurick:

Q. Mr. Blank, this the Mark Yurick. I represent the Kroger Company. I have a few questions for you.

On page 7 of your testimony, line 4 and 5: "Prices for base generation service are established at levels less than the market price levels experts expect would be charged for the Companies' load for those years."

Do you see that testimony?

MR. KORKOSZ: Let me interrupt. At this

end you are kind of fading in and out, and I don't know what is causing that, but I would ask you to get as close to the phone --

MR. YURICK: Is that better?

MR. KORKOSZ: Yes.

Q. I'll restate the question. Lines 4 and 5 on page 7: "Prices for base generation service are established at levels less than the market price levels experts expect would be charged for the Companies' load for those years."

The experts you are talking about are Mr. Graves and Dr. Jones; is that right?

A. Yes.

Q. Any other experts that you consulted?

A. There are no other experts that I've consulted for the basis of that statement.

Q. Okay. Thank you. On that page, line 16 and 17, end of line 16: "A performance-based distribution improvement rider is established." Do you see that?

A. Yes.

Q. Could you explain to me, if you know, how that performance-based Distribution Improvement Rider works?

A. I can do it in general terms. We develop a charge and recommend a charge of two-tenths of a cents a kilowatt-hour for distribution service, and to the extent that SAIDI performance is above or below target levels, we would have rate adjustments proportional to, or perhaps inversely proportional to, how far away from the target we were, such if there were worse reliability, rates would go down, and if there were better reliability, rates would go up.

Q. So the metric is reliability, distribution reliability?

A. Measured by SAIDI.

Q. Okay. And that distribution rider can be -- that works both ways?

A. Yes. And I believe --

Q. There can actually be, I guess, a negative rider.

A. It would be a negative adjustment to the two-tenths of a cent. My understanding that works both ways. It's symmetrical in favor of customers, and it's harder to get an increase than it is to get a decrease.

Q. It's harder for the company to get an increase than it is to get a decrease?

A. Yes.

Q. Okay. Mr. Small had asked you a couple of questions about attachment 1, page 1 of 4 in your testimony.

A. Yes.

Q. And I think what he specifically asked, one of the areas that he specifically asked you about was under the box Consultant Market Rates on page 1 of 4, a generation increase over 2000 rate of 68.18. Do you see that?

A. Yes.

Q. And I think you testified that you did not make that calculation to come up with 68.18 as a current rate; is that right?

A. No, it is not. That 68.18 was prepared under my direction by members of my staff. I do not have the calculations with me is what I said.

Q. Okay. Who on your staff made those calculations?

A. I'll have to find out. I don't know that answer.

Q. Okay. And could you also find out if there are workpapers that support that 68.18?

A. Yes.

MR. YURICK: I think I am just about done here, if I can just have one second.

Q. In your testimony, there are several places where it occurs, if you need a couple of examples, let me know. But you talk about "the MRO." When you talk about the MRO in your testimony, are you specifically referring to the FirstEnergy MRO that has previously been filed with the Commission, that application?

A. Yes.

Q. Okay. Did you evaluate or attempt to come up with any alternative MRO schemes that this application is better than, or did you just use that one?

A. Well, I used the Consultant Market Rates --

Q. Okay.

A. -- which I identify.

Q. Okay. I understand that. But you didn't try to, I guess, play with any of the inputs in that MRO application to try to figure out if these rates were better than any alternative. There are no work papers, no documentation that would show anything like that, right?

A. I'm relying 100 percent on the consultant market rates of the two consultants I identified.

Q. I appreciate that. I appreciate your patience. I'm just trying to make sure that I have this straight.

MR. YURICK: I think that is all the questions I have for Mr. Blank. I appreciate your patience.

MR. KORKOSZ: It is almost noon. We have been going about an hour and a half. I recognize there are people that have questions for Mr. Blank. I would recommend we take a short break again of ten minutes at this point for the benefit of everyone's comfort and reconvene ten minutes from now.

MS. FONNER: This is Cynthia Fonner from Constellation Energy. I will not be able to continue on in I want to ask the court reporter for a copy of the transcript.

(Discussion off record.)

(Recess taken.)

MR. KORKOSZ: We are back and the participants are here in Akron and are all back and present, and Mr. Blank is available.

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EXAMINATION

By Mr. Breitschwerdt:

Q. Good afternoon, Mr. Blank, I'm Brett Breitschwerdt. I am here on behalf of NOPEC and the Ohio Schools Council.

A. Good afternoon.

Q. If you could start on the bottom of page 18 and top of page 19, you were asked the question of: "How did shopping impact your analysis?"

The first sentence of your response is that you assumed there was no shopping. Could you explain why you made that assumption and how it impacted your analysis?

A. We had to have a basis to compare the ESP to the MRO, and we needed to compare identical number of kilowatt-hours to have an apples-to-apples comparison so we based it on a no-shopping process.

Q. When you say the MRO comparison, that's what we talked about before, attachment 1, page 1 of 4.

A. Yes. That comparison, yes.

Q. How does it impact your analysis that the expert testimony of Mr. Jones incorporates shopping by large-scale governmental aggregations?

A. To the extent there would be a lot of shopping, the magnitude of the numbers would change in both of the cases, but I think you still need the apples-to-apples type of comparison to identify whether the ESP is more favorable in the aggregate.

Q. In Mr. Jones' analysis he incorporates shopping levels for 2009, 2010, and 2011 of 50 percent of customers shopping for the entire service territory, so 50 percent of all customers, and 75 percent for 2010 of all customers shopping, and potentially 100 percent in 2011 to calculate what the shopping risk would be. Does that still create an apples-to-apples comparison?

A. I make no representation relating to what the third-party supplier might be charging. I'm making the assumption that the Consultant Market Rates are something that those parties have to be familiar with.

Q. I guess my question is, you know, when I look at what Dr. Jones' testimony said and his incorporating of these potential shopping risks, that impacted how he calculated the market rates. Would you agree with that?

MR. KORKOSZ: Objection. And it is just to the form of the question because Mr. Blank can't know what went on in your mind as you read Dr. Jones' testimony, which is how the question was phrased.

MR. BREITSCHWERDT: I'll rephrase then.

THE WITNESS: Thank you.

Q. Based on the way Mr. Jones has calculated his analysis, which incorporates these shopping levels of 50 percent, 75 percent, and 100 percent, do you still believe that this still creates an apples-to-apples comparison to the model assumptions in your attachment 1?

A. Yes.

Q. If you would turn to page 22 of your testimony, line 17, it states: "The overall effect of the Plan's nonavoidable generation charges is beneficial to customers served by large-scale aggregation groups."

Can you explain how the plan is generally beneficial to large-scale aggregation groups?

A. As I state in the testimony, it is beneficial to large-scale aggregation groups just as it is beneficial to all customers, and I go on in the testimony to explain that.

Q. With regard to the specific nonavoidable generation charges that you are referring to there, what are the specific benefits to governmental aggregation groups of those nonavoidable generation charges?

A. Well, as I go on in the testimony, I identify how it is beneficial to large-scale groups, aggregation groups, just as it is beneficial to all customers. It helps provides the risk mitigation arrangements that are essential for the companies to have the financial capacity to propose the plan to begin with for the benefit of all customers, and without such arrangements, the companies would be unable to make the pricing and other beneficial plans available.

Q. Can you explain what you mean by "risk mitigation arrangements"?

A. To the extent the companies make the capacity and power supply arrangements available to customers in this case, at least on a current basis, they can't make it available to other parties. So they're holding open positions they would otherwise be able to close.

Q. What analysis have the companies completed on the impact of these nonbypassable generation charges that you reference starting on line 17?

A. What do you mean by "what analysis"?

Q. Have the companies completed any analysis?

A. What do you mean by "what analysis"?

Q. Any analysis of the specific impacts of the charges on government aggregations.

A. I think the analysis is management judgment as much as anything else. There may be other calculations, but I think it's the management's judgment about do you make this capacity available now or not.

Q. When you say management judgment, is that your judgment? Who are you referring to in management there?

A. I'm referring to the management of FirstEnergy.

Q. Okay. On page 23 of your testimony, you reference that: "A specific analysis of the effect these charges" -- meaning the nonbypassable charges that we discussed on the previous page -- "on large-scale aggregation groups would require reviewing pricing and cost data from governmental aggregators and/or their suppliers, which information is not available to the Companies. In any event, large scale aggregation groups are affected the same as other customers with negative disproportionate effects."

Can you explain what you mean by "negative disproportionate effects"?

A. Large- government aggregation groups are treated no differently than any other customers in terms of the application of any bypassable or nonbypassable charges. They are treated differently with respect to potential charging for the deferrals, the generation deferrals, because of what's in Senate Bill 221. But that's not -- strike that.

They're treated the same as everyone else with the exception of recovery of the deferrals, the generation deferrals, in which there's a separate treatment which is dictated by the statute.

Q. So specifically looking at the nonbypassable charges, the generation phase-in rider is a nonbypassable charge; is that correct?

A. I believe that's correct.

Q. And it's your opinion based on the ESP that it does not have a negative disproportionate effect on large-scale government aggregations.

A. Now relying on memory rather than documents, but I believe that that particular rider impacts government aggregation groups differently than all other customers.

Q. That's correct. Can you explain that?

A. If I have the documents, I can explain that. I have to review the documents.

Q. Do you have the application?

A. I have parts of the application. I do not have the specific rider page. Perhaps you can reference where you're looking.

I'm waiting for you, I thought. You were going to reference me to a specific part of the application, if you are referring to a page.

Q. Perhaps you can explain to me generally how the generation phase-in rider works while I'm seeking the portion of the application.

A. Any description I give you would be subject to review of the documents, but my understanding is the difference between the base generation rate and the amount charged to customers is deferred for future recovery. I believe that that recovery -- I'm trying to remember which year the recovery begins, but I don't recall whether it is 2011 or 2012, and it continues for ten years. I believe that's nonbypassable with the exception of application to government aggregation customers who did not receive benefits from such deferral to begin with.

Q. Can you explain how the company interprets that section, to receive benefits under 4928.20(I)?

A. If the customer, the government aggregation customer, was receiving service from a third-party supplier at that point during 2009 to 2011, let's assume it was done for the third-party supplier for the total period, they would receive no benefits.

But, for example they might not take service from the third party, I'll make up a date, until April 1, 2009. They would receive benefits for first three months of 2009 and not thereafter. You do the proportionate based upon time. I don't know that we would track every single kilowatt-hour for every single customer, but we may. I don't know.

Q. That would be my question, how does the company propose to track that?

A. I think we're prepared to understand the data for what customers are receiving power supply from third-party suppliers on a customer-by-customer basis, month by month. But I don't think that we have identified a particular procedure at this point, nor do I think we have to at this point until we know what situation would arise, and then we would have to propose something to the Public Utilities Commission based on the facts and circumstances at the time.

Q. But based on the hypothetical you just laid out, if they took service from January 1, 2009 through April 1, 2009, the amount of deferral they would be paying back would be for that specific amount that was being deferred, that 10 percent or approximately 10 percent for just that period? That's how the company perceived the benefit they receive?

A. I didn't understand the question well enough to answer it.

Q. So in the hypothetical you gave you laid out a four-month period where a government aggregation customer would take service from

FirstEnergy or one of the EDUs prior to moving to a government aggregation. They would take service and receive the deferral for a four-month period.

A. We're confusing some terms here. They're taking -- the government aggregation group is taking service from a third-party supplier rather than the company taking service from the government aggregation group. I'm distinguishing, making a distinction, the customer may be part of the government aggregation group and still takes power from a FirstEnergy utility or maybe the government aggregation group is buying its own power.

Q. In the sense when one is taking service from FirstEnergy, they would pay the deferral.

A. The calculations, that would be a benefit for the time period that they were taking from FirstEnergy utilities.

Q. But once they move to a third-party supplier, they would no longer be receiving that benefit so they would no longer be required to pay any deferral for the period that they're taking service from the third-party supplier.

A. You have to go through the statutory formula about the calculation procedure, but in general you are correct.

Q. I'd like to shift to the Minimum Default Service Rider. Do you have a general understanding how that service rider works?

A. Yes.

Q. Would you say there is a negative disproportionate effect to the large-scale government aggregation from the operation of that rider?

A. No.

Q. Any disproportionate effect to customers that are taking service from a governmental aggregation through a third-party CRES supplier as opposed to through FirstEnergy?

A. No. But the negative disproportionate effect compares the government aggregation to any other customer that may or may not be part of a government aggregation group. All customers are treated the same with respect to that charge.

Q. Right. But for a government aggregation seeking to obtain third-party supply, that Minimum Default Service Rider would have to be paid separately outside of what the base generation rates are, correct?

A. Yes. But it doesn't make any difference whether you are a government aggregation customer or notice. It applies the same.

Q. But there would be no benefit to a government aggregation based on that charge.

A. I disagree.

Q. Could you explain?

A. Well, the service that is being provided by the utility the power supply is being made available basically starting from the time the case was filed, the ESP was filed, and in so doing to hold that open, the company concluded that it needed to have a risk mitigation impact, which we're calling the default service charge.

Q. I recognize that Mr. Warvell's testimony focuses on the minimum default service charge, but what analysis did the company do to analyze how much that charge should be and how it should be applied?

A. The amount of the charge was an exercise in management judgment in the light of the totality of the plan.

Q. So an exercise in management judgment. What was used to inform that management judgment?

A. I do not know all of the elements that might have been used to inform that management judgment, but they would have included such things as power supply costs and the variability thereof; the costs and risks associated with the operation of power stations; the costs and availability of purchased power arrangements; shopping behavior historically. There would be a large number of other things, but those are the ones I can think of.

Q. Does the ESP plan incorporate any of that analysis or quantify how the management judgment was informed or how it was created?

A. The plan included only to the extent of identifying the charge.

Q. But it doesn't explain the basis for how that charge was established.

A. It was established in the light of the totality of the plan, the rest of the elements of the plan.

Q. Okay. Thank you. Earlier you were speaking with Jeff Small. He had a question about the contract with FirstEnergy Solutions. You referenced a number of times in your testimony they will be the supplier that the EDUs are going to seek a supply agreement with.

In your answer you noted that you had

received an understanding from FirstEnergy, meaning the holding companies' management, that FirstEnergy Solutions would create or provide a contract that sets forth the terms that are required in the ESP. Who are the specific individuals that you received that understanding from?

A. Well, there have been a number of people working on this plan. It would include the general counsel. It would include the CEO, among others.

Q. The understanding that you received, when was it given? I have two questions. First, did you obtain this understanding before the ESP was proposed?

A. Yes.

Q. Do you know when the companies intend to finalize the supply agreement between the EDUs and FirstEnergy Solutions?

A. I don't have a specific date, but it would be before the commencement of power supply on January 1, unless the short-term ESP is adopted. Then it would be a little longer, potentially.

Q. Are the companies awaiting any decision from the Commission either approving the short term ESP before they finalize the agreement?

A. Not that I know of.

Q. What insights do you have into how this agreement is structured or where is it in the development process?

A. Individuals from FES and individuals representing the utilities have been assigned to negotiate an agreement.

Q. And who are the principal negotiators on each side?

A. I do not know that answer.

Q. Do you know if there's provisions within the proposed agreement that address the potential load variations for the load that FES will supply?

A. What do you mean by "load variations"?

Q. Variations in the amount; for example, if a large-scale governmental aggregation attempted to seek a third-party CRES supplier to supply their load would impact the amount of the load that --

A. My understanding is that the product will be a full-requirements product, so whatever isn't supplied by some third party would be supplied by FirstEnergy Solutions.

Q. So that term is yet to be, I guess, concluded, potentially if a third-party -- government aggregation did contract with a CRES supplier, then the contract would reflect that that load would not be provided by FirstEnergy Solutions through the EDUs.

A. I think the same is a true for any shopping, yes.

Q. Okay. I have a few questions on behalf of the Ohio Schools Council as well. If you could, turn to page 12 of your testimony where you spoke with I believe it was Mr. Small earlier. In lines 17 through 19 you note there would be expiring customer contracts that will be part of the overall increase. It says: "I should further point out that the increases reflect -- and are inflated by -- the impact of expiring customers contracts as part of the overall increase."

Does this increase include the Energy for Education II program that has been negotiated between the companies and the Ohio Schools Council?

A. Any increase applicable to schools reflected in comparison to the current arrangements is reflected in the calculation of the 5.3 percent. I think the answer to your question is yes.

Q. Okay. Have the companies performed any analysis of the Electric Security Plan to assess the potential rate impact on public school districts that are currently served by the Ohio Schools Council Energy for Education II program?

A. Yes. There's work in progress on that.

Q. Do you know when you expect to have that analysis complete?

A. I do not.

MR. BREITSCHWERDT: Counsel, earlier you had said that you would request a data request in writing. Would you want me to submit my request in writing or can I do it orally?

MR. KORKOSZ: I would prefer you do it in writing so we can better track the discovery system.

MR. BREITSCHWERDT: That would be fine. Thank you.

Q. Have the companies performed any analysis of the load profile of public school accounts within the companies' service territory?

A. I believe there was work done along those lines as part of the distribution case, but I don't have the details of it. That would have been in testimony in the distribution case, either in direct testimony, rebuttal testimony, or cross-examination.

I don't know where that information might have come about, but I do believe there was information on the record associated with that.

Q. But to your knowledge no load analysis has been completed in preparation of the Electric Security Plan.

A. What do you mean by "load analysis"?

Q. Analysis of the load profile of the public school accounts.

A. Referring to the load profile, my answer is it's in the distribution case.

Q. Have the companies performed a cost-of-service study focused on the cost to serve public school districts currently served by the Energy for Education II program?

A. I'm not aware that we've done anything outside of what might have been done in the distribution case, and I don't know if there was a cost-of-service study in the schools for the distribution case. I don't think there's anything subsequent to that.

Q. Have the companies performed any analysis of the potential rate impact upon the public school districts of the proposed increases, particularly the generation costs under the ESP?

A. Yes. But, as I said, that's in process.

Q. Have the companies performed an analysis of the discontinuation of the Energy for Education II program on public school districts?

A. You mean the rate impact associated with it?

Q. Correct.

A. Any such analysis would be part of the evaluation of whatever increases that would be in the study in process that I was speaking of.

Q. Have the companies received any requests for information regarding the impact of the Electric Security Plan on rates paid by public school districts from any representatives of the Ohio Schools Council?

A. I don't know the answer to that.

Q. Have the companies received any requests for information regarding the impact of the Electric Security Plan on rates paid by individual school district customers?

A. Not that I'm aware of. Pardon me, I shouldn't -- I don't know of any. There may have been some. It is not unusual for a budget person in one of the public school districts to call someone in our call center to ask for those type of things. I don't know whether there were any of those communications that have been had.

MR. BREITSCHWERDT: That's all the questions I have. Thank you. Mr. Blank.

THE WITNESS: Thank you.

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EXAMINATION

By Mr. Keiffer:

Q. Lance Keiffer for NOAC. We had questions concerning attachment 1 to your testimony. Would you turn to attachment 1.

A. Yes.

Q. We've discussed previously the line where it says Generation Increase over 2008 Rate, and the rate listed is 68.18, correct?

A. Yes.

Q. I think you have testified previously that that rate included essentially what we would call little "g" plus RSC plus some fuel adjustments; is that correct?

A. Yes. That's my belief.

Q. Okay. And does that rate include any

portion of what would be called RTC charges that are currently in effect?

A. I don't think so.

Q. You don't believe so?

A. I do not believe it includes RTC.

Q. Okay. I think you had indicated previously there may be some work papers for purposes of the creation of this calculation; is that correct?

A. Yes.

Q. Okay. And would those workpapers -- if a portion of RTC was considered and/or included, I assume those workpapers would be likely to show that.

A. Whether or not the RTC is included would be part of workpapers, and maybe I shouldn't be so hasty whether there is RTC in that number, but I don't recall there is, but I would have to find that out.

Q. Okay. That's fair. And just two other follow-up questions. One, does that rate of 68.18 include any value for special contracts?

A. I'll have to verify that as well.

Q. Okay. Same question as to a value for those that take third-party supply, namely, folks who either shop through large-scale governmental aggregations or otherwise.

A. I'll have to verify that.

MR. KEIFFER: Okay. Obviously, we will submit, as you have requested, a formal written request for the workpapers.

MR. KORKOSZ: Thank you, counsel.

MR. KEIFFER: I think you've also indicated that you would provide us with information as to who performed the calculations. We will ask for an interrogatory to that effect as well.

THE WITNESS: It is someone on my staff, and I will take responsibility for that.

MR. KEIFFER: We would obviously, under the time frame we are in, ask for a quick turnaround if that is possible.

MR. KORKOSZ: Understand.

MR. KEIFFER: I have nothing further.

MR. KORKOSZ: From my notes, Mr. Stinson, Mr. Lavanga and Mr. Bell.

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EXAMINATION

By Mr. Stinson:

Q. This is Dane Stinson. I have just a few questions. I represent FPL Energy Power Marketing and Gexa Energy Holdings.

I'd like to direct your attention to your testimony, page 21, line 16, 17 that begins with "otherwise." I just want to clarify because it is my understanding that the plan does contain bypassable charges for shoppers, so just to clarify that, there are differences in this plan between shoppers and SSO customers?

A. There are differences between shoppers and SSO customers in terms of which charges apply, you're correct.

Q. What is meant by that statement on page 21 that I referenced then?

A. What's referred to is the discussion that I was having with counsel from NOPEC relating to recovery of the deferred generation costs, and the customers in the government aggregation program do not have that deferral charge applied to them in proportion -- well, the amount which would be applied to them is in proportion to benefit that they receive under the various formulae that the statutory construct includes. And that's what I'm referring to; otherwise, the plan is the same between government aggregation customers and all other customers, shoppers or otherwise.

I'm sorry, there is one other piece, too, that has to do with the stand-by charges is different between the government aggregation and other customers as well, that the government -- I have to review the plan again.

Q. I understand that. That's fine. Page 22, line 1 and 2.

MR. KORKOSZ: May I have that reference again, please.

Q. Page 22, lines 1 and 2.

A. Yes.

Q. There you reference the tariffs.

A. Yes.

Q. Is there a tariff that exists that relates to the recovery of the deferrals?

A. My understanding is that there is. It's in one of the riders.

Q. Do you know which one?

A. Mr. Warvell will have to help you with that:

Q. Do you know if it relates to the recovery of the deferrals, the proportionate deferral for the government aggregation customers, or should I address that to Mr. Warvell?

A. Our time is better served by asking Mr. Warvell.

Q. Thank you. In your discussions with counsel for NOPEC, you mentioned the minimum default -- I'm sorry the Minimum Default Service Rider, and you indicated I believe that the revenue from the rider would be used to secure capacity; is that correct?

A. I don't think I said that.

Q. Can you refresh me what you said? What would the revenues from that charge be used for?

A. I don't think I said what the revenues would be used for in today's testimony.

Q. Do you know what those revenues would be used for?

A. I'm confused by basically the form of the question.

Q. Maybe we should back up and just restate what the purpose of the Minimum Default Service Rider is.

A. Just a moment, please. Pardon me while I'm still looking through my testimony. Mr. Warvell is the witness on that -- on the purpose of that charge, so anything which I say really you would have to defer to his testimony, but the concept is it's a risk mitigation factor that the companies need in order to propose this plan.

Q. I'll defer that to Mr. Warvell as far as that then.

Just a few more questions. Directing your attention on page 22 of your testimony, line 22, I just ask the question with respect to the meaning of the words in that sentence. You say: "Without such arrangements to provide financial resources and mitigate the risk associated with the Plan, the Companies could not make available the pricing" -- and by that pricing you mean the SSO pricing?

A. The totality of the pricing in the plan.

Q. And what do you mean by "the totality of the pricing in the plan"?

A. All of the arrangements bypassable and otherwise for the totality of the plan.

Q. "And other beneficial provisions." By "other beneficial provisions" what did you mean?

A. Such things as the rate stay-out, the various economic development funding ideas, those types of matters.

Q. So --

A. Relief from the RTC.

Q. It's not restricted just to the generation components.

A. I don't think so.

Q. And, finally, in your discussion with Mr. Small you were discussing the fuel transportation surcharge, and you mentioned a baseline amount of $30 million in 2009, 20 million in 2010, and 10 million in 2011. I don't know if you are the witness to support that, but if you are, do you know how those figures were derived?

A. I don't have any precise details how those figures were derived.

Q. Who would I discuss that with?

A. I can only guess that would be Mr. Warvell.

MR. STINSON: I have no other questions. Thank you, Mr. Blank.

THE WITNESS: Thank you.

MR. BELL: Is there anyone else that has a short examination of Mr. Blank?

MR. LAVANGA: This is Mike Lavanga for Nucor. I have no questions for Mr. Blank.

THE WITNESS: Thank you, Mr. Lavanga.

MR. BELL: I guess that leaves me.

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EXAMINATION

By Mr. Bell:

Q. Mr. Blank, I'm Langdon Bell. I think we have met on occasion before. I represent the Ohio Manufacturers Association.

A. I seem to recall that we have met.

Q. I have a number of questions for you. Would you turn to page 1 of your prefiled testimony. You indicate your position is vice president of rates and regulatory affairs for FirstEnergy, the holding company; is that correct?

A. It's FirstEnergy Service Corp.

Q. Do you hold any position with Ohio Edison, Cleveland Electric Illuminating, or Toledo Edison?

A. I am not an employee of those companies.

Q. To whom do you report, Mr. Blank?

A. Mr. Clark.

Q. And Mr. Clark's position is what?

A. Among other things, senior vice president of strategic planning and operations -- pardon me, executive vice president of strategic planning and operations.

Q. Is that for FirstEnergy, the electric distribution utilities, or FirstEnergy Solutions, or all three?

A. I think that's FirstEnergy Service Corp, but he may have other titles as well and I just don't know.

Q. With respect to your responsibilities, do you have any responsibility for the establishment of rates for FirstEnergy Solutions?

A. No.

Q. Mr. Blank, you are the only one of the eight FirstEnergy witnesses in this proceeding to sponsor the overall application and its provisions; is that correct?

A. I think so.

Q. And your function in doing so was in your involvement in planning and implementing the regulatory strategy represented by this plan; is that correct?

THE WITNESS: Could you he read that back, please.

(Record read.)

A. It's probably a little broader than that, Mr. Bell, but it certainly encompasses that.

Q. So that, in effect, the results produced by this plan reflect the regulatory strategy of FirstEnergy in its recovery of revenues from Ohio jurisdictional customers; is that correct?

A. I don't think I would agree to that statement.

Q. How so?

A. I just don't know what you mean by it. I mean, we have proposed a plan in conformance with the statute.

Q. Your testimony does not purport to represent or reflect the rate impact upon any customer class of any of the three electric distribution companies, does it?

A. My testimony identifies the overall average increase that we understand the plan to have for 2009, 10 and 11, and I've identified that in the testimony.

Q. In the attachment, as summarized in attachment 1.

A. I don't think it i was summarized in attachment 1. It specifies a 5 percent and 4 percent and 6 percent number somewhere in the testimony for each of three years.

Q. Would you agree, Mr. Blank, that the ESP plan that you are proposing and sponsoring adjusts previously authorized deferrals and the recovery period over which those deferrals will be recovered from future customers?

A. Are you thinking of any particular deferral, Mr. Bell?

Q. I am thinking of any and all deferrals related to the last rate cases of each of the three electric distribution companies and subsequent proceedings in which the Commission has authorized deferrals.

A. I can't answer that without quite a detailed study that I'm not prepared to do on the phone right now.

Q. Well, with respect to your testimony, you do acknowledge and represent, do you not, that you're changing and canceling certain of the CEI deferrals within the context of this plan?

MR. KORKOSZ: Do you have a reference to his testimony, Mr. Bell?

Q. I'm referencing at this time the

testimony of Mr. Blank, and this is one example, on page 17, referencing the 591 million.

A. Our plan proposes -- let me turn to the page. Our plan proposes on page 9 that the RTC charge for CEI will be waived for customers on a service-rendered basis on and after January 1, 2009.

Q. Well, in so doing are you not, in effect, adjusting, if you will, the entitlement of the company to future collection of previously authorized revenue deferrals?

A. I would not agree with that statement. We're waiving a charge to which we are otherwise entitled.

Q. And that charge is as a result of authorized deferrals by the Commission.

A. I don't know that --

Q. You are waiving the collection of authorized deferrals, are you not?

A. Well, to some extent the RTC charge being waived was designated to recover certain RTC charges which were identified in the ETP cases in 2000, and to some extent that charge, the so-called extended RTC charge, was intended to recover deferred shopping credits, and we're waiving that charge. We're not doing anything else other than waiving it.

Q. Isn't the waiving of the charge in effect the noncollection of previously authorized revenues?

A. I don't know what you mean by "in effect."

Q. The charges that you are waiving, were those previously authorized by the Commission for collection at a future time?

A. The provisions for recovery of the extended RTC were identified in previous Commission orders, yes.

Q. And were those deferrals in the previously issued orders relating to deferrals of cost incurred by the company both generation related and distribution related?

A. I don't think there were any distribution-related costs associated with the RTC, if that's what we're still talking about.

Q. I'm talking about any of the deferrals, not simply the deferrals reflected in the RTC.

A. Mr. Bell, that's the study I referred to that I would have to do that I'm not prepared to do as a witness on the telephone right now. I'd have to do some study on that.

Q. Is it correct then, Mr. Blank, that you cannot represent that the plan proposed and sponsored by you does not, in effect, alter the amount of previously authorized distribution- and generation-related charges deferred by order of the Commission for future recovery by the company?

MR. KORKOSZ: Objection. The witness indicated there was vagueness in the term "in effect" and he didn't know what was meant by the use of the phrase.

Q. Eliminate "in effect."

A. Mr. Bell, I couldn't understand your question with or without "in effect."

Q. With respect to the plan that you are proposing, you are seeking authorization, are you not, for the recovery of revenues from customers as far out as 2035 as shown on attachment 1, page 1 of 4, to your testimony?

THE WITNESS: Could you repeat as least the first part of that question.

(Record read.)

A. We are asking for the recovery of deferred costs from customers.

Q. The recovery of those costs and

customers' responsibility or obligation to make payment to FirstEnergy as proposed in your plan reaches out as far as 2035, does it not?

A. That's correct.

Q. Now, with respect to the ESP plan would you agree that the deferrals alone which you are requesting the Commission authorize and obligate your distribution customers to pay for only the period 2012 through 2035 as shown on attachment 1 is $1.894 billion?

A. I didn't do the addition, Mr. Bell. Can you tell me the numbers you are referring to to get that total.

Q. Yes. I am talking the numbers in 2012, 2013, 2014 through 2035 in the amounts of 109.8 million, 184.4 million, and 1,600,600,000.

A. Those numbers include more than the deferrals.

Q. Looking at the columns it indicates that those are simply reflective of the deferred recovery of the generation phase-in, 10 year, and the deferred recovery of the CEI distribution. Am I misreading your attachment 1?

A. Yes.

Q. How so?

A. There is also a line entitled Energy Efficiency and DSM that has a negative $10 million value in 2011 and 2013 which you did not include.

Q. Does not the sum appearing at the bottom of each of those columns reflect that negative 10?

A. Yes; but those aren't deferrals. Those $10 million values are not deferrals and you were referring to deferrals.

Q. If you do not accept that figure, could we take the sum of the deferrals shown for deferred recovery for the generation phase-in 10-year plan and deferred recovery of the CEI distribution only numbers shown in each of those three columns 2012, 2013, 2014 through 2035 to reflect the aggregate deferred recovery that the companies are seeking the Commission's authorization obligating customers to make those payments?

A. The answer to that is yes, and it's instead of charging customers currently for that and plus the appropriate carrying charges. We identify it in the plan.

Q. Now, with respect to the recovery of deferrals, there are additional deferrals, are there not, contemplated as you discussed with Mr. Small?

A. The plan speaks to recovery of certain distribution deferrals which were the subject of the last delivery case.

Q. And that goes to the issue with respect to your prior examination that attachment 1 simply reflects the authorizations flowing from the difference between the MRO and the ESP plans; is that correct?

THE WITNESS: Could you read that again please.

(Record read.)

A. I don't agree with the word "authorizations" in the question. I don't understand what that means.

Q. Authorization of future revenue recovery.

A. Well, there's a lot more on this document than future revenue recovery, Mr. Bell.

Q. Mr. Blank, in your examination by Ms. Fonner you indicated, I believe subject to check, there were 26 riders and that 16 are subject to being updated based upon intervals of time?

A. I agreed subject to check, but I acknowledged that at least some of those, and I think a large number of those, are reconciliation-type riders and that the adjustments are for reconciliation arrangements to the extent you do not recover costs in one period you would recover it in next period of time or subsequent periods.

Q. Regardless whether or not those are reconciliation-based riders, those riders do provide for increases in revenues for FirstEnergy's electric distribution companies over the prospective time period, do they not?

A. I don't agree they only provide for increases. They also provide for decreases.

Q. Could you indicate of the 26 riders, subject to check, how many are nonbypassable?

MR. KORKOSZ: Object. I don't know how he can indicate something he doesn't know subject to check. I'll let the witness answer if he can.

A. You'll have to bear with me, Mr. Bell, while I review some material. I would have to do a study on -- an analysis, maybe not study, just by reading every one of the riders to determine whether it is bypassable or not, and I have done no summary on that that I can state right now. Some of them are bypassable and some of them are not.

Q. In your prefiled testimony you make numerous representations on behalf of FirstEnergy Solutions, do you not?

A. I make statements about what FirstEnergy Solutions will be asked to do, and I acknowledged today that I got some of that information from the management of the company.

Q. By "management of the company" you're referencing management of the holding company?

A. Yes.

Q. Its chief executive officer, Mr. Alexander?

A. Yes.

Q. And FirstEnergy Solutions is an operating subsidiary of FirstEnergy, the holding company, is it not?

A. I believe that to be the case, but I will let my counsel correct that if it's appropriate to correct it.

Q. You're an attorney and a member of the Ohio Bar, are you not, Mr. Blank?

A. That is correct.

Q. Thank you. For instance, on page 9 of your prefiled testimony you state, and I quote: "FES will support and/or undertake environmental remediation of existing retired generation plants owned by the Companies and/or manufactured gas plant sites for which the Companies have a remediation obligation."

And you also state: " FES's cost responsibility under this program will be an annual maximum of $15 million for each year of the Plan period," do you not?

A. I state that, but the predicate is it is part of a new supply agreement between the companies and FirstEnergy Solutions.

Q. And that supply agreement will be by and between two operating subsidiaries of FirstEnergy, the holding company, will it not?

A. It will be between the Ohio utilities and FirstEnergy Solutions.

Q. All of which are operating affiliates and subsidiaries of FirstEnergy the holding company, correct?

MR. KORKOSZ: I object on vagueness. I don't know what you mean by "operating" in that question.

We will acknowledge that the EDUs and

FirstEnergy Solutions are subsidiaries of FirstEnergy Corp.

MR. BELL: Thank you.

Q. On page 9 of your testimony on your various bullets representing the benefits associated with the ESP plan not existing in the Market Rate Offer plan, you state that companies agree to spend up to 25 million in annual amounts, up to 5 million, et cetera, and the same is stated in paragraph No. 3, "up to."

A. Yes.

Q. Is there a commitment on the part of the companies to spend any given amount?

A. Mr. Bell, I will agree it says "up to." The idea is that is identifying a cap, but I would suggest that we have had the "up to" language in many previous agreements, and we have always spent at the cap level for those various provisions in the prior agreements, and I have every reason to believe and state that the intent of company is to spend at the cap level.

Q. On page 10 listing another one of the benefits of the plan, in the last bullet point shown you state: "The utilities' supplier agrees to increase capacity for advanced energy resources by 1,000 MW from January 1, 2007 through December 31, 2011 as described in the Plan," do you not?

A. Yes.

Q. Where does that commitment exist? Is it in writing?

A. I thought it was part of the plan. I'll check.

Q. Is this plan proposed as shown in the first caption of your testimony, this plan is being proposed by Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company, is it not? Is FirstEnergy Solutions an applicant in this case?

A. There are many questions in that question, Mr. Bell, but FirstEnergy Solutions is not an applicant in this case.

Q. With respect to the commitment of 1,000 megawatts, do you know whether or not FirstEnergy Solutions is committing that 1,000 megawatts to Ohio jurisdictional distribution customers, or is that additional generation available for wholesale or retail sale outside of the service territory of these three companies?

MR. KORKOSZ: I'll ask the court reporter to reread the question, please.

(Record read.)

A. I'll state from page 17 of the application, Mr. Bell. It's section L. "As a condition of entering into a contract with FES for generation service, the Companies will require FES to commit adding 1000 MW of capacity from January 1, 2007 - December 31, 2011," and then it goes on through a number of points relating to "new or upgrading existing generation, which may include renewable generation through contracts or otherwise; maintaining existing generation in service that would otherwise be shut down pursuant to court order without installing environmental control equipment or repowering consistent with such order or decree; and/or additional generation. Such a commitment provides considerable benefit to the region and customers in the Companies' service territory in that building and adding generating capacity serves to alleviate the burden of capacity constraints and meet the growing demand." And it goes on from in. That's the commitment of the companies.

Q. Thank you. I believe that answers my

question.

On page 12 of your testimony, lines 17 and 18 you point out that increases in the rates of special contract customers to the levels proposed in ESP plan for the year 2009 inflate the increases reflected; is that correct?

A. Yes. What I mean by that the 5.32 percent would be lower if we did not include the impact of customers being served under special contracts moving to tariff.

Q. And with respect to future customers being served under new special contracts, reasonable arrangements, or unique arrangements, will that result in the opposite; that is, an increase in the increases reflected on your attachment?

A. No.

Q. How so?

A. That any decrease in a rate the customer would pay as a result of a special contract would be reflected as an increase to the aggregate of all other customers so that there would be no net change in the overall average increase or decrease to all customers.

Q. With respect to losses in revenues to the company flowing from economic development contracts, are those lost revenues recovered from all other customers on a nonbypassable basis?

A. I believe the riders provide that the answer to that question is yes.

Q. And with respect to whether or not a contract results in economic development and/or job retention or growth, who makes that initial determination? Does the company, Mr. Blank, or the companies?

A. I think there are multiples paths for that determination to be made from an initial standpoint, Mr. Bell, but I think the only determination that counts will be whether or not the Public Utilities Commission would approve such a contract.

Q. Then is it the companies' position that on a going-forward basis all future special contracts, reasonable arrangements, or unique arrangements, whether they be economic development or job-growth directed must be and will be subject to the proposal of the Public Utilities Commission?

A. Our intent is that every economic development or job retention contract would be filed with the Public Utilities Commission for approval and will not be entered into without such approval.

Q. With the exception of the economic development and job retention or growth contracts, will other special contracts, reasonable arrangements, or unique arrangement agreements between the operating companies and their individual customers be required to be approved by the Commission?

A. And what other arrangements are you thinking about?

Q. I don't know. You have used in the filing and in your testimony the terms special contract, reasonable arrangements, and unique arrangements.

A. Well, perhaps you can point me to a specific example, Mr. Bell, because I'm not recalling that at the moment. I'm sure it's there. I just don't know where.

Q. Mr. Blank, I apologize, I'm sure it is there, too, I agree with you, but I didn't make a note of the exact location. Your testimony is what it is.

A. Is that a question?

Q. No. I'm saying I can't point it out to you at this time.

MR. KORKOSZ: Mr. Bell, let me note for the record it's 1:30 and ask that we go off the record to discuss scheduling.

(Discussion off record.).

MR. KORKOSZ: Back on the record.

Q. (By Mr. Bell) Mr. Blank, as part of plan you are sponsoring you are proposing a securitization aspect, are you not?

A. Yes.

Q. And is the function and purpose of that proposal to provide the companies the ability to accelerate the companies' recovery of the deferred authorized generation phase-in shown on your attachment 1, page 1 of 4.

MR. KORKOSZ: I will ask the court reporter to reread that question.

(Record read.)

A. What I state in my testimony, Mr. Bell, on page 25 in response to the question why have the companies included an option for securitization, the answer is: "SB 221 enables the Companies to include in their electric security plan an option to securitize any phase-in. The Companies believe that securitization may be beneficial to its customers." And I stand by that.

Q. Mr. Blank, the effect of the securitization, whether authorized in Senate Bill 221 or not, is as I have described; that is, it provides a vehicle by which the companies may immediately recover the deferred generation phase-in dollars as shown in attachment 1.

A. I don't agree with your characterization, Mr. Bell.

Q. Is it the companies' position that the Commission is required to authorize the securitization proposal advanced by the company as reflected in attachment A to the application?

A. I don't believe the Commission is required to approve such a securitization application.

Q. Or any of the conditions shown in attachment A?

A. I don't believe it's required to approve a securitization or any of those conditions as shown in attachment A.

MR. BELL: I believe that's all I have,

Mr. Blank. Thank you.

MR. KORKOSZ: It is my understanding there are no other counsel present or on the telephone that have questions for Mr. Blank; is that correct?

(No response.)

MR. KORKOSZ: Hearing no response, Mr. Blank's deposition is concluded. I'll state for the record the applicants do not waive signature.

(The deposition concluded at 1:41 p.m.)

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State of Ohio :
: SS:
County of ____________________ :

I, David M. Blank, do hereby certify that I have read the foregoing transcript of my deposition given on Wednesday, September 24, 20008; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

____
David M. Blank

I do hereby certify that the foregoing transcript of the deposition of David M. Blank was submitted to the witness for reading and signing; that after he had stated to the undersigned Notary Public that he had read and examined his deposition, he signed the same in my presence on the ________ day of ______________________, 2008.

____
Notary Public

My commission expires _________________, ________.

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CERTIFICATE

State of Ohio : SS:
County of Franklin :

I, Rosemary F. Anderson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named David M. Blank was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 29th day of September, 2008.

Rosemary F. Anderson

Rosemary F. Anderson,
Professional Reporter, and
Notary Public in and for the
State of Ohio.

My commission expires April 5, 2009.

(RFA-8203-1)

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