

FILE

Donald Schneider

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

DEPOSITION

of Donald R. Schneider, taken before me, Karen Sue
Gibson, a Notary Public in and for the State of Ohio,
at the offices of FirstEnergy, 76 South Main Street,
Akron, Ohio, on Thursday, September 25, 2008, at 2:30
p.m.

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1 APPEARANCE:

2 Ms. Ebony Miller
3 FirstEnergy
4 76 South Main Street
5 Akron, Ohio 44308

6 and

7 Calfee, Halter & Griswold LLP
8 By Mr. James F. Lang
9 1400 KeyBank Center
10 800 Superior Avenue
11 Cleveland, Ohio 44114-2688

12 On behalf of the FirstEnergy companies.

13 APPEARANCES VIA SPEAKERPHONE:

14 Janine L. Migden-Ostrander
15 Ohio Consumers' Counsel
16 By Mr. Richard Reese
17 Assistant Consumers' Counsel
18 Ten West Broad Street, Suite 1800
19 Columbus, Ohio 43215-3485

20 On behalf of the Residential Customers
21 of the FirstEnergy companies.

22 Chester, Willcox & Saxbe, LLP
23 By Mr. Matthew White
24 65 East State Street, Suite 1000
Columbus, Ohio 43215-4213

On behalf of The Kroger Company.

McNees, Wallace & Nurick, LLC
By Ms. Lisa McAlister
Fifth Third Center, Suite 1700
21 East State Street
Columbus, Ohio 43215-4228

On behalf of the Industrial Energy
Users-Ohio.

ALSO PRESENT VIA SPEAKERPHONE:

Mr. David Cleaver

Thursday Afternoon Session,

September 25, 2008.

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STIPULATIONS

It is stipulated by and among counsel for the respective parties that the deposition of Donald R. Schneider, 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.

- - -

1 MS. MILLER: Do you want to start with
2 giving appearances? Ebony Miller from FirstEnergy
3 Service Company, 76 South Main Street, Akron, Ohio
4 44308. I am here with Donald R. Schneider.

5 MR. REESE: And on behalf of the Ohio
6 Consumers' Counsel and the residential ratepayers of
7 FirstEnergy companies this is Rick Reese. I am at 10
8 West Broad, 18th Floor, Columbus, 43214 -- I'm sorry,
9 43215. I am an Assistant Consumers' Counsel. Also
10 with me in the -- in our meeting room here is David
11 Cleaver, part of the OCC analytical staff.

12 MS. McALISTER: This is Lisa McAlister on
13 behalf of Industrial Energy Users - Ohio. Do you
14 want complete appearances or is abbreviated okay?

15 MS. MILLER: Abbreviated is fine.

16 MS. McALISTER: Thank you.

17 MR. LANG: Also Jim Lang, Calfee, Halter
18 & Griswold on behalf of FirstEnergy.

19 MS. MILLER: I guess one more appearance
20 before we get started, Matt White, did you want to
21 enter an appearance as well?

22 MR. WHITE: Yeah, Matt White, that's
23 Chester, Willcox & Saxbe on behalf of The Kroger
24 Company.

1 MS. MILLER: If the court reporter could
2 administer the oath.

3 (Witness sworn.)

4 MS. MILLER: The witness has been sworn
5 in at this point. So, Rick Reese, would you like to
6 get started?

7 MR. REESE: Sure.

8 - - -

9 DONALD R. SCHNEIDER

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

12 EXAMINATION

13 By Mr. Reese:

14 Q. Mr. Schneider, my name is Rick Reese. I
15 am an Assistant Consumers' Counsel.

16 A. Nice to meet you, Rick.

17 Q. I just want to go over a couple of things
18 with you. This is a fairly informal process. As you
19 know, there is a court reporter there with you to
20 take down for the record whatever we say. If you can
21 answer, I will let you answer so we don't talk over
22 each other. If you could, please answer with a yes
23 or no as opposed to uh-huh or huh-uh so the court
24 reporter can take down clearly what you have to say.

1 You are required to answer my questions
2 unless your attorney specifically instructs you not
3 to answer the questions. They may object to a
4 question, but you can still answer that question.
5 The Attorney Examiner will deal with any objections
6 later.

7 If you need a break, just let me know and
8 we will take a break. I just ask if there is a
9 question pending, that we can finish the response
10 before you take the break. Is that fair enough?

11 A. Yes.

12 Q. Okay. Would you please give me your name
13 and business address, please.

14 MS. MILLER: Rick, before we get started
15 Mr. Schneider has one change to make to his
16 testimony.

17 MR. REESE: Okay.

18 A. On page 4, line 2, the last word "years"
19 should be scratched.

20 Q. Okay.

21 MS. MILLER: That's it. We can get
22 started.

23 Q. Okay. Let's start out, Mr. Schneider,
24 could you please give me your name and business

1 address.

2 A. Yes. My name is Donald R. Schneider, 76
3 South Main Street, Akron, Ohio.

4 Q. And what is your current position at
5 FirstEnergy?

6 A. I'm senior vice president of energy
7 delivery and customer service. I also serve as
8 senior vice president for Ohio Edison, Toledo Edison,
9 and CEI.

10 Q. Okay. Can you tell me some of the folks
11 that directly report to you.

12 A. Yes. I could tell you that. Jim Murray
13 is my Ohio state president. He reports directly to
14 me. Doug Elliot is my Pennsylvania state president.
15 He reports directly to me. Steve Morgan is my New
16 Jersey state president, and he reports directly to
17 me. Brad Ewing is my VP of transmission operations.
18 He reports directly to me. Mark Julian is a VP of
19 energy delivery. He reports directly to me. Nick
20 Lazonick is VP of asset oversight. He reports
21 directly to me. Tom Clark is VP of customer service.
22 He reports directly to me.

23 Q. Okay. Is that it?

24 A. Yes.

1 Q. Okay. And who do you report to?

2 A. I report to Richard Grigg.

3 Q. How do you spell that last name?

4 A. G-R-I-G-G.

5 Q. And what is his position?

6 A. He is president of FirstEnergy utilities.

7 Q. And who does he report to?

8 A. He reports to Tony Alexander.

9 Q. Okay. Now, are you familiar with Susan
10 Lettrich?

11 A. Yes.

12 Q. Okay. And does she report to you or to
13 someone under your direct report?

14 A. Yes.

15 Q. Okay. Can you tell me who she reports
16 to?

17 A. She reports to Mark Julian.

18 Q. Okay. Thank you. I wanted to talk to
19 you -- I just have a couple of questions regarding
20 your background. I note in your testimony at page 1
21 that you served as a technician at the W.H. Sammis
22 plant in 1982; is that correct?

23 A. That's correct.

24 Q. And how long were you employed at that

1 particular plant?

2 A. Approximately five and a half years.

3 Q. Okay. And is that when you moved to the
4 Bruce Mansfield plant?

5 A. No.

6 Q. Okay. What year did you move to the
7 Bruce Mansfield plant?

8 A. 1995.

9 Q. Okay. Could I ask what you did in the
10 years between your employment at the Sammis plant and
11 the Bruce Mansfield plant?

12 A. Yes. I worked for -- when I left the
13 Sammis plant, I went to the general office, and I
14 spent two and a half years in the general office,
15 approximately.

16 Q. Okay.

17 A. I then went to the Gorge plant which is
18 located in Cuyahoga Falls. I spent approximately a
19 year at the Gorge plant. I then went to the New
20 Castle plant which is owned by Pennsylvania Power
21 Company, and I was there for a few years prior to
22 going to the Bruce Mansfield plant.

23 Q. Okay. Now, you were named vice president
24 of fossil operations in 2001; is that correct?

1 A. That's correct.

2 Q. Can you tell me what experience you have
3 that directly relates to distribution system
4 reliability?

5 A. I have been in my present job for
6 approximately 18 months, and I have been in energy
7 delivery for a little over two years.

8 Q. And you say you -- these are directly
9 related to distribution system reliability?

10 A. I am not sure what you mean by directly.

11 Q. Well, let me just what -- let's go over a
12 little bit the scope of your position now. Can you
13 tell me what different departments that you oversee
14 at this particular time?

15 A. Yes. As senior vice president of energy
16 delivery and customer service, I oversee our energy
17 delivery business, approximately 8,000 employees,
18 89,000 miles of transmission distribution line.

19 Q. And so that's the -- are there any other
20 departments you oversee?

21 A. Are you asking me if -- outside of energy
22 delivery and customer service?

23 Q. Well, outside of the distribution --
24 outside of the department you just mentioned is there

1 anything else?

2 A. I wasn't referring to a specific
3 department. I was referring to the entire energy
4 delivery and customer service operation.

5 Q. Okay. Let me try to be a little more
6 specific. Could you break down the departments that
7 are subsumed under customer service and energy
8 delivery?

9 A. Could you rephrase? I am not sure what
10 you are asking me, Rick, when you say consumed,
11 departments consumed.

12 Q. I meant subsumed but, for instance, we
13 went over five direct reports to you, Jim Murray,
14 Doug Elliot, Steve Morgan, Brad Ewing, Mark Julian.
15 Can you just give me an idea what these people do?

16 A. Sure. Yeah. I understand. Jim Murray
17 has responsibility for the three Ohio utilities, the
18 president of CEI, the president of Toledo Edison, and
19 the president of Ohio Edison, all three report to
20 him. And it would be a similar structure for our
21 Pennsylvania operation and our JCP, our Jersey
22 operation.

23 Q. Okay. And Doug Elliot?

24 A. Yeah. Doug Elliot has responsibility for

1 the Pennsylvania utilities so the president of Penn
2 Elect reports directly to Doug and the president of
3 Med Ed reports directly to Doug.

4 Q. Okay. And how about Steve Morgan?

5 A. He's responsible for our New Jersey
6 operations so the president of JCP&L -- or actually
7 we refer to him as a regional president reports
8 directly to Steve.

9 Q. Okay. And Brad Ewing?

10 A. Yeah. Brad Ewing primarily has
11 engineering and transmission operations
12 responsibility, so he would have a director of
13 transmission. Bob Austin reports directly to him,
14 for example.

15 Q. Okay. And finally Mark Julian.

16 A. Yeah. Mark Julian has primary
17 responsibility for support organizations that support
18 our distribution operations.

19 Q. Okay. Are you familiar with Case No.
20 07-551, FirstEnergy's distribution rate case?

21 A. I'm not familiar with that specific
22 number, Rick.

23 Q. But you are familiar with the rate case
24 that FirstEnergy filed on behalf of the operating

1 companies in 2007?

2 A. When you say operating companies, just to
3 be specific are you referring to the Ohio operating
4 companies?

5 Q. Yeah, sorry.

6 A. Yes, I am familiar -- yes, I am familiar
7 with the fact that there was a rate case filed.

8 Q. Are you familiar with some of the
9 distribution system reliability issues that were
10 raised in that case?

11 A. That's a very broad question. If you
12 could maybe get a little bit more narrow. I just
13 don't know if I am familiar with a specific part of
14 it.

15 Q. Okay. Are you familiar that Susan
16 Lettrich offered testimony in that case?

17 A. Yes.

18 Q. And that her testimony discussed the
19 current reliability performance of the three
20 operating companies in Ohio?

21 A. Yes.

22 Q. And she also discussed certain programs
23 dealing with reliability including vegetation
24 management?

1 A. That's a detail that I am not familiar
2 with.

3 Q. Okay. Were you aware of any of the
4 recommendations of UMS Consulting regarding CEI?

5 A. Yes.

6 Q. Have you read the report?

7 A. I have.

8 Q. Now, the purpose of your testimony, as I
9 understand it, is to discuss the need for a delivery
10 service improvement rider and capital investment
11 commitment and a smart grid study; is that correct?

12 A. That's partially correct. There's also
13 the rear lot reduction factor and the SAIDI target
14 adjustment.

15 Q. Well, the rear lot reduction factor is
16 part and parcel of the -- of the delivery service
17 improvement rider; is that correct?

18 A. Yes. I just wanted to make sure that you
19 had the same things that I had.

20 Q. Right. Can we refer to the delivery
21 service improvement rider as the DSI for the
22 remainder of the deposition?

23 A. Yes.

24 Q. Okay. We -- I asked a question or two

1 re -- at the beginning of our discussion here
2 regarding the distribution rate case and note -- you
3 noted that you had read the UMS's report and at least
4 knew that Susan Lettrich had testified in the case.
5 But I note that your testimony doesn't really discuss
6 the ongoing reliability performance of the Ohio
7 operating companies; is that correct?

8 A. There was a lot there, Rick. Could you
9 be more specific about your question?

10 Q. Well, in the distribution rate case
11 testimony and proceedings, there was a lot of
12 testimony provided and cross-examination, exhibits,
13 et cetera, that dealt with the current performance of
14 the FirstEnergy operating companies in Ohio. Does
15 that sound correct to you?

16 A. Again, I am not familiar with the details
17 of that case.

18 Q. Okay. Fair enough. Your testimony
19 doesn't address the current distribution system
20 reliability of the FirstEnergy Ohio operating
21 companies, does it?

22 A. No.

23 Q. Okay. Are you familiar with any of the
24 recommendations that the Public Utilities Commission

1 staff or Ohio Consumers' Counsel put forth in the
2 distribution case?

3 MS. MILLER: Objection.

4 MR. REESE: Grounds?

5 MS. MILLER: Irrelevant.

6 MR. REESE: All right.

7 Q. Are you familiar with --

8 MS. MILLER: I didn't instruct him not to
9 answer. I am just noting an objection for the
10 record.

11 MR. REESE: No, I'm with you.

12 Q. Are you familiar that -- with the
13 testimony of Susan Lettrich in the distribution --
14 I'm sorry, excuse me, the distribution rate case
15 where she discussed the UMS report?

16 A. No.

17 Q. So you don't know what the companies'
18 position was in the distribution rate case regarding
19 the report?

20 A. No.

21 Q. Do you think that's relevant to the
22 proposal to implement a DSI?

23 MS. MILLER: Objection.

24 Q. You can go ahead and answer.

1 A. I can't answer because you are asking me
2 to make judgment on something that I'm not familiar
3 with it so. I can't -- if you could rephrase the
4 question, I could try to answer that.

5 Q. Let's go ahead and move on. On page 3 of
6 your testimony, line 11, sentence reads, "However,
7 the ability to consistently deliver this safe,
8 reliable, reasonably priced power does not come
9 without its challenges." Is it your testimony that
10 FirstEnergy -- FirstEnergy Ohio operating companies
11 are consistently delivering safe, reliable service?

12 A. Yes.

13 Q. And they are delivering that level of
14 service without a DSI?

15 A. Yes, today.

16 Q. Will the FirstEnergy operating companies
17 in Ohio continue to deliver -- consistently deliver
18 safe, reliable service without the DSI?

19 MS. MILLER: Objection. Calls for
20 speculation.

21 Q. You can answer.

22 A. I think on page 4 of my testimony, line
23 11, there is a question that addresses that in my
24 response. Is it a different question, Rick?

1 Q. Point it out to me and we will see if
2 that answers it.

3 A. On page 4 starting at line 11 the
4 question is "Can the companies meet their commitment
5 to the key areas of focus absent acceptance of the
6 companies' plan?" The response then starting on line
7 13 is "It would be quite difficult. Significant
8 funding is required to maintain or improve
9 performance in each of these key areas of focus. The
10 companies' plan includes a DSI rider during the
11 period January 1, 2009, through December 31, 2011,
12 which would provide the companies the financial
13 wherewithal to remain healthy and capable of
14 continuing their ongoing commitments to the energy
15 delivery and customer service business."

16 Q. Okay. Would the -- so is it your
17 testimony that without the rider that the company
18 would not remain healthy and capable of continuing
19 their ongoing commitments?

20 MS. MILLER: Objection, mischaracterizes
21 the testimony.

22 A. I will let the testimony speak for
23 itself, Rick.

24 Q. You will let the -- is the company

1 currently healthy and maintaining their ongoing
2 commitments?

3 A. Today, yes.

4 Q. And why would that be different tomorrow?

5 A. Because of the challenges that we face.

6 Q. Can you tell me what those challenges
7 are?

8 A. Yes. I think if you look at my testimony
9 on page 3, line 14, starting at line 15 it talks
10 about a number of challenges that we face.

11 Q. And what's new about those challenges?

12 A. For example, it talks about the age of
13 our work force. Our work force continues to age. It
14 talks about the increase in cost of materials. Those
15 costs continue to go up.

16 Q. Now, why is aging work force a problem
17 right now?

18 A. We need to hire new employees, and we
19 have to allow sufficient time for these new employees
20 to have a transfer of knowledge with our existing
21 work force and that comes at a cost.

22 Q. Was there a lull in the necessary hiring
23 of employees recently with the FirstEnergy operating
24 companies in Ohio?

1 A. Could you be more specific on that?

2 Q. Well, in your testimony that's filed in
3 2008, you reference an aging work force. If you
4 had -- why in 2008 is it more of a problem than it
5 was in 1998 or 2002?

6 A. Oh, that's because of the age
7 demographics.

8 Q. Explain that for me.

9 A. We have a larger majority of employees
10 that are nearing retirement age than employees that
11 are not nearing retirement age.

12 Q. Okay. Is any of this the result of poor
13 planning on behalf of the company?

14 A. No.

15 Q. So the company has been maintaining its
16 work force related to distribution system reliability
17 at the same levels it had 20 years ago?

18 A. I don't know.

19 Q. You don't know?

20 A. I don't know what our work force levels
21 were 20 years ago.

22 Q. How about five years ago?

23 A. Again, I don't know. I don't have those
24 numbers in front of me.

1 Q. Okay. But you know the work force is
2 aging, and you need to hire and train new employees.

3 A. That's correct.

4 Q. Now, you also discuss on page 3 of your
5 testimony the aging of your system. Now, this is
6 referencing specifically the distribution system?

7 A. Could you refer to the line, Rick?

8 Q. Yeah. Line 18, page 3, "We are also
9 challenged with the aging of our system."

10 A. Yes. That's correct.

11 Q. That's the distribution system
12 specifically?

13 A. Yes, that's correct.

14 Q. Okay. And do current rates cover
15 replacement of an aging distribution system plant?

16 A. Could you repeat the question?

17 MR. REESE: Yes. Could the court
18 reporter read the question back, please.

19 (Question read.)

20 MS. MILLER: I am going to object to
21 that, Rick.

22 A. Could you be -- could you rephrase the
23 question? I'm struggling with when you say "aging
24 distribution plant." You know, could you just be

1 more specific?

2 Q. Well, you are the one that says you're
3 challenged with the aging of the system. What do you
4 mean by that?

5 A. I mean that our system is getting older
6 and that we need to invest capital to replace the
7 aging infrastructure.

8 Q. And specifically what do you mean by
9 system?

10 A. I am referring to our distribution
11 system.

12 Q. And specific pieces of that that you have
13 in mind?

14 A. Not specific necessarily.

15 Q. Okay. So your distribution -- your
16 system is aging, we agree on that's what you have in
17 your testimony.

18 A. That's correct.

19 Q. And why is the aging of the system a
20 particular issue in 2008?

21 A. It's always a concern, not just in 2008.

22 Q. So you are challenged yearly by the aging
23 of your system?

24 A. Yes.

1 Q. So in your question and answer beginning
2 at line 14 on page 3 where you are talking about
3 challenges, what are some of the challenges, these
4 challenges are not specific to the need for a DSI; is
5 that correct?

6 A. As we look to the future, these
7 challenges necessitate the DSI.

8 Q. Why?

9 A. For example, we have a large majority of
10 our employees that will be retiring in the next five
11 years and we need to hire replacements and train
12 those replacements and that comes at a cost.

13 Q. Isn't that just the cost of doing
14 business?

15 A. No.

16 Q. Okay. Let's get back to the aging of the
17 system. Distribution rates cover operation and
18 maintenance expenses for the distribution system; is
19 that correct?

20 A. Are you asking me to give a legal
21 interpretation of a regulatory term?

22 Q. No. I don't think that's a legal
23 interpretation. Do rates cover distribution system
24 operations and maintenance? That's not a legal

1 question, I don't believe.

2 A. I think that's probably a question that
3 would be better asked of Dave Blank.

4 Q. Okay. On page 3, lines 19 and 20, you
5 make reference here that "although customers cannot
6 afford to pay for an entirely new system, adequate
7 reliability necessitates capital improvements."

8 That's true -- has been true for as long as
9 FirstEnergy has been in business; is that correct?

10 MS. MILLER: To clarify you are referring
11 to the Ohio operating companies?

12 MR. REESE: Yes.

13 A. Are you asking me if this -- this
14 business has always required capital investment; is
15 that what the question is?

16 Q. Well, I am reading from your testimony.
17 You said that "although customers cannot afford to
18 pay for an entirely new system, adequate reliability
19 necessitates capital improvements." That's always
20 true, isn't it, customers cannot afford to pay for an
21 entirely new system?

22 A. I'm struggling with maybe you could just
23 be a little more specific in what time frame you are
24 talking about because at some point the system was

1 built brand new. That's what I am struggling with
2 how to answer your question.

3 Q. Have any pieces, parts of that system
4 been replaced since they were built?

5 A. Yes.

6 Q. Aren't parts of the distribution system
7 replaced every day?

8 A. I don't know that I could say every day
9 but.

10 Q. Are transformers replaced every day?

11 A. I would say that transformers are
12 replaced routinely. I don't -- again, I don't know
13 that we replace one every day.

14 Q. Okay. I will go with that. Are poles
15 replaced routinely?

16 A. Yes.

17 Q. Are cutouts replaced routinely?

18 A. Yes.

19 Q. Are substations improved or repaired
20 routinely?

21 A. Yes.

22 Q. And every time you add capacity when you
23 have to build out, you build a new distribution
24 plant, correct?

1 A. That's not correct.

2 Q. That's not? So when you add new
3 customers, how do you serve them?

4 A. So if you were talking about one single
5 customer, would we have to build a new distribution
6 system?

7 Q. No, not -- you would have -- you would
8 have to provide new distribution facilities even for
9 one customer, wouldn't you?

10 A. Not necessarily. Some customers, you
11 know, actually pay for their own facilities.

12 Q. Okay. Fair enough. Let's say that a new
13 subdivision is built in Cleveland in CEI territory.
14 You would have to build out a distribution facility
15 in some way to serve them, wouldn't you?

16 A. That's correct.

17 Q. Okay. On page 4 of your testimony at
18 line 4, "In addition, perhaps our greatest challenge
19 is obtaining the capital required to meet our
20 commitments to these and other future investments."
21 This refers back to equipment purchases, et cetera.
22 Can you tell me exactly what you mean by "obtaining
23 the capital required"?

24 A. Yes. So, for example, borrowing money.

1 Q. Okay. Now, isn't some of the capital
2 provided for in rates?

3 A. Yes.

4 Q. Okay. At lines 6 through 9 on page 4 of
5 your testimony you have a discussion of regulatory
6 lag, and you talk about "evolving regulatory
7 expedients." Can you give me some examples of
8 "evolving regulatory expedients"?

9 A. Yeah. When I used those words, I was
10 referring to the DSI that would provide a revenue.

11 Q. Okay. Again, on page 4 you begin a
12 discussion about the DSI or at least the initial term
13 of a DSI. And you state beginning on line 15 "which
14 would provide the companies the financial wherewithal
15 to remain healthy and kept" -- "and capable." We
16 discussed this earlier, would the company remain
17 healthy in your opinion without the DSI?

18 MS. MILLER: Objection. Calls for
19 speculation.

20 A. I don't know.

21 Q. Well, you note that with the rider -- let
22 me rephrase that.

23 Is it your position that with the rider
24 the company would remain healthy and capable of

1 continuing your ongoing commitments?

2 A. Yes.

3 Q. But you're not sure if it would remain
4 healthy and capable of continuing the commitments
5 without the rider?

6 A. That's correct.

7 Q. At line 21 on page 4, you mention a --
8 that "the rider was designed to recognize the
9 changing environment" and this "changing environment"
10 again is referring back to the aging work force and
11 the cost of equipment?

12 A. Those would be two examples, yes.

13 Q. Now, I think you mentioned earlier you
14 weren't sure of what staffing levels were 5 or 10 or
15 20 years ago. So we are not really sure whether --
16 you are not sure whether hiring has kept pace with
17 retirement?

18 A. I believe that we've been sufficiently
19 staffed over the last several years.

20 Q. But that's about to change; is that your
21 testimony?

22 A. My testimony is that we have a large
23 number of employees that will reach retirement age in
24 the next three to five years.

1 Q. And your position is -- your testimony is
2 the DSI is necessary to dampen the effect of those
3 retirements or? Let me rephrase that.

4 You mentioned the changing demographics
5 in the aging work force and the need for the DSI. Is
6 it your position that you will not be able to do the
7 necessary hiring without the DSI?

8 A. Are you referring to still on page 4,
9 lines 21 through 23?

10 Q. Yeah.

11 A. And would you repeat the question?

12 MR. REESE: Could the court reporter
13 repeat my question, please.

14 (Question read.)

15 A. It would be very difficult.

16 Q. I'm on page 5 of your testimony, the very
17 top, line 1, "This rider would enable the companies
18 to place emphasis on and dedicate adequate resources
19 to all aspects." What additional emphasis would the
20 DSI provide?

21 A. I am referring to the commitment to spend
22 a billion dollars over the next five years on the
23 distribution system.

24 Q. So the rider will enable you to spend the

1 1 billion on the distribution system?

2 A. The ESP has a number of components in it.
3 One of those components is the billion dollar
4 commitment that we are making.

5 Q. If you don't -- if FirstEnergy -- let me
6 strike that.

7 If the Commission does not approve the
8 DSI, will the company continue to place emphasis on
9 all aspects of reliable distribution service?

10 A. Yes.

11 Q. Can you tell me where the amount of the
12 rider, the -- I guess it's 2 thousandths, .002 cents
13 per kilowatt hour, can you tell me where that figure
14 came from, how it was developed?

15 A. I think Dave Blank would be the
16 appropriate individual to describe that.

17 Q. On page -- actually the sentence begins
18 at line 6 on page 5, but I am focusing more on lines
19 8 and 9, "The DSI rider would not offset" skip down
20 to line 7 "is proposed to ensure the overall health
21 and financial sustainability of the companies and to
22 ensure that they are in a position to devote
23 appropriate resources to reliability matters." Is
24 the DI -- DSI necessary in order for FirstEnergy to

1 devote appropriate resources to reliability matters?

2 A. Yes.

3 Q. Beginning on line 9 on page 5, you
4 have -- you discuss "the rider would be subject to an
5 upward or downward adjustment each calendar year
6 based on SAIDI performance." Do you see that?

7 A. I do.

8 Q. And the range is further detailed in
9 Attachment E. I believe the range is from 90 minutes
10 to 135 minutes. Does that sound right?

11 A. That's correct.

12 Q. Now, do you know what the yearly limit of
13 the adjustment would be, in other words, what's the
14 maximum the company could adjust the DSI annually up
15 or down?

16 A. Could you be more specific? I am not
17 sure, when you say adjust the DSI, are you talking
18 about the revenue?

19 Q. Well, I know that if -- in your proposal
20 subject to -- well, the subject of your testimony to
21 a large degree deals with DSI. The DSI, as I
22 understand it, would be decreased or adjusted
23 downward if SAIDI extended 135 minutes; is that
24 correct?

1 A. The DSI has a -- has a penalty
2 essentially that you pay if we are above 135 minutes.
3 And there's an incentive that's paid if we are below
4 90. Is that what you are referring to?

5 Q. Yeah. I am reading out of your testimony
6 where you call it an adjustment so.

7 A. Okay. Yes.

8 Q. Is there a limit on the amount of the
9 upward or downward adjustment of the rider annually?

10 A. Yes.

11 Q. Can you tell me what that limit is?

12 A. That is 15 -- a maximum of 15 percent.

13 Q. Okay. Now, I am going to jump back and
14 forth a little bit but bear with me. I am looking at
15 Attachment E to your testimony. I am looking
16 specifically at the first page, third paragraph, of
17 Attachment E.

18 MS. MILLER: Rick, that's an attachment
19 to the application, not to his testimony. The
20 witness only has his testimony with him here today.

21 MR. REESE: My mistake.

22 Q. My understanding is that the rider that
23 you propose would be set at .002. I know I am
24 phrasing this wrong but -- excuse me just a moment.

1 MR. REESE: Can I take about 2 seconds?

2 MS. MILLER: Okay.

3 Q. I want to clarify. I mentioned earlier
4 this is actually 2 tenths of a cent that we are
5 discussing on the kilowatt hour charge. We just
6 discussed that there is a 15 percent limit on the
7 adjustment annually; is that correct?

8 A. That's correct.

9 Q. And the rider would be set at 2 tenths of
10 a cent for 2009 through 2011; is that correct?

11 A. In my testimony, Rick, I refer to Company
12 Witness Hussing. He's the individual that is
13 responsible for the implementation. These are
14 questions that he's probably -- he is in a better
15 position to address than I am.

16 Q. So you are not sure how long the 2 tenths
17 of a percent would be in effect under the
18 application?

19 MS. MILLER: I think -- objection.

20 A. I think Mr. Hussing would be the
21 appropriate individual to address those questions.

22 Q. So is that a no, you are not familiar
23 with how -- what time frame the rider is in effect?

24 A. I think my testimony speaks to the time

1 that the rider is in effect.

2 Q. And it would begin -- it would take
3 effect in 2009; is that correct?

4 A. That's correct.

5 Q. And when would the rider terminate?

6 A. If you look at page 4, lines say 14 and
7 15 of my testimony, it says, "The companies' plan
8 includes a DSI rider during the period of January 1,
9 2009, through December 31, 2011."

10 Q. Do you know what happens after 2011 with
11 the rider?

12 A. I don't remember.

13 Q. You don't remember.

14 A. That's correct.

15 Q. Do you know whether the rider terminates
16 after 2011?

17 MS. MILLER: Objection.

18 A. Again, I don't remember. We have talked
19 about it. I just don't remember. I think
20 Mr. Hussing would be the best individual to ask those
21 questions.

22 Q. You're the one proposing the rider; is
23 that correct?

24 A. The rider's part of our ESP. I am

1 supporting certain sections of the rider.

2 Q. What other section of the DSI rider is
3 there?

4 MS. MILLER: Objection.

5 A. I believe there's an implementation
6 discussed in our application that Mr. Hussing can
7 support.

8 Q. So you are not sure how the rider would
9 be implemented?

10 MS. MILLER: Objection.

11 A. I don't remember all the details of the
12 implementation.

13 Q. You do know it wouldn't offset or
14 compromise a contribution in aid in any construction
15 project though; is that correct?

16 A. That's correct.

17 Q. And you do know it's proposed to ensure
18 the overall health and statability of the companies;
19 is that correct?

20 A. That's correct.

21 Q. And you know that it's to ensure that the
22 companies are in a position to devote appropriate
23 resources to rebut reliability matters; is that
24 correct?

1 A. That's correct.

2 Q. But how the company arrived at the amount
3 of the rider you have no idea; is that correct?

4 MS. MILLER: Objection.

5 Q. You can answer.

6 A. That wasn't my response. I believe I
7 said I can't remember the details at the 0.0020,
8 those questions would be best answered by Mr. Blank
9 and that the implementation questions would be best
10 answered by Mr. Hussing.

11 Q. Can you explain to me what you mean by
12 implementation question?

13 A. The questions that you were asking me
14 about when it would start, when it would end, that
15 sort of thing.

16 Q. Do you know who developed the idea, the
17 concept of posing a DSI?

18 A. There were a number of us that talked
19 about a DSI. I don't remember who had the initial
20 idea.

21 Q. Can you give me some ideas of who helped
22 develop it?

23 A. Myself, Dave Blank, Greg Hussing.

24 Q. So you have no idea why the 15 percent

1 limit on the adjustment to the DSI rider was
2 proposed?

3 MS. MILLER: Objection.

4 A. No, that's not correct. When you say I
5 have no idea, that's not correct.

6 Q. Well, then why was it?

7 A. What I said is I don't remember all those
8 details.

9 Q. Do you remember any of the details?

10 A. I remember that it was a 15 percent. I
11 don't remember specifically how that was going to be
12 implemented.

13 Q. Do you know why the 15 percent was
14 arrived at as a cap on the adjustment?

15 A. Again, I don't remember why we drew the
16 line at 15 percent.

17 Q. Do you think Mr. Hussing would know this?

18 A. I think Mr. Blank would be the right guy
19 to ask that question. He would be in the best
20 position to answer that specific question.

21 Q. So Mr. Blank would know why 15 percent
22 was arrived at as the cap for the adjustment?

23 A. I believe so.

24 Q. The bottom -- towards the bottom of page

1 5, line 16, line 17, you discuss "Toledo Edison
2 customers have experienced top quartile levels of
3 performance in each of the last three years." Do you
4 see that?

5 A. I do.

6 Q. Can you tell me top quartiles of what?

7 A. I am referring to -- when I speak of top
8 quartile, I am referring to a study that was
9 performed by IEEE.

10 Q. And do you know how I could get access to
11 that study?

12 A. I believe that you could make a request
13 from our legal department.

14 Q. Okay. Now, this study that you reference
15 in your testimony, the IEEE, do you know what year
16 that was published? Was that published in 2006?

17 A. Yeah. I think if you look at page 9 of
18 my testimony, starting at line 5, the question is
19 "How do you qualify top quartile and second quartile
20 performance?" And I go through an explanation there
21 of what I was referring to. It was the IEEE 2006
22 study.

23 Q. Do you know what years of performance
24 were covered by that study?

1 A. Yes.

2 Q. Can you tell me what they were?

3 A. The nature of an IEEE requires you to
4 look at five years' worth of history and one year
5 that you are benchmarking against so.

6 Q. And then there is a 2.5 Beta method that
7 is applied?

8 A. The 2.5 Beta method is applied to the
9 five years of history.

10 Q. Okay.

11 A. Well, and the final year that you are
12 actually doing the benchmarking against.

13 Q. Okay. Now, is that Beta method applied
14 in part to make up for differences in the size of the
15 companies, or is it related to -- excuse me. I
16 didn't mean to interrupt but. Or is it related to
17 normalizing for major events or both?

18 A. The IEEE methodology is generally used so
19 that you are comparing apples to apples, in other
20 words, one system compared to another. You can also
21 then, you know, kind of do a subset where you would
22 look at -- you would look at grouping those companies
23 based on size, but the overall calculation is
24 designed to level set everybody regardless of their

1 size.

2 Q. Okay. Now, if you know, when these
3 companies report to -- a performance to IEEE and they
4 are, in turn, referenced in the study, do you know if
5 each of the companies reports their data the same
6 way?

7 A. Yes.

8 Q. So they all impose the same definitions
9 of major events, et cetera, before they submit the
10 data to IEEE?

11 A. No. The nature of an IEEE methodology,
12 it's the raw numbers, no exclusions.

13 Q. So there is no major event exclusions?

14 A. That's correct. There are no major storm
15 exclusions or any other kind of exclusion. It's the
16 raw number and then the methodology that IEEE uses
17 takes into account the -- anything that, you know --
18 just based on the calculation they would exclude
19 things just based purely on a numerical value. That
20 takes kind of the human factor out of the
21 performance.

22 Q. And that's part of the rationale with the
23 2.5 Beta method?

24 A. That's correct.

1 Q. Okay. Now, part of your testimony
2 beginning at the bottom of page 5 and carrying over
3 to page 6, you are talking about a modifying CEI's
4 current SAIDI target; is that correct?

5 A. That's correct.

6 Q. And that target would be increased from
7 95 minutes to 120 minutes per year?

8 A. That's correct.

9 Q. And that would mean each of the companies
10 would have the identical SAIDI target; is that
11 correct?

12 A. That's correct.

13 Q. Now, I don't want to jump ahead in your
14 testimony but this -- I think this flows right -- I
15 think it fits with what we are discussing. The --
16 your testimony proposes that the 120 be the SAIDI
17 targets for each of the Ohio operating companies and
18 that would also be the target, if you will, for
19 calculating the DSI; is that correct?

20 A. Could you be a little more specific?
21 Maybe ask it one question at a time.

22 Q. Okay. For purposes of the electric
23 service and safety standards you are proposing that
24 the SAIDI targets be 120 minutes for each of the Ohio

1 companies; is that correct?

2 A. That's correct.

3 Q. And for purposes of the DSI I guess 120
4 isn't exactly a target, but you have this asymmetric
5 range you refer to that extends from 30 points -- 30
6 minutes below 120 to 15 minutes above. Does that
7 sound correct?

8 A. If you look at page 8, line 19, it spells
9 that out specifically. It's just the minutes -- you
10 are generally correct; the minutes are slightly
11 different. It reads that, starting on line 19, "The
12 proposed performance band is asymmetrical in that
13 with a SAIDI of 120 minutes deviating upward from the
14 target by 16 minutes would trigger a reduction of the
15 DSI rider, but a downward deviation from the target
16 must be at least 31 minutes before triggering an
17 addition to the DSI rider."

18 Q. Okay. On page 6 of your testimony at
19 line 11 -- let's go to line 12, you mentioned "CEI's
20 system design and service area geography make it more
21 difficult than the other two companies to obtain and
22 maintain a low SAIDI." Can you explain that to me a
23 little bit?

24 A. Sure. One of the things I am referring

1 to there is the number -- the large number of
2 customers in CEI that are served by rear lot
3 facilities.

4 Q. That's where the discussion takes place
5 about the rear lot reduction factor?

6 A. We have a discussion about the rear lot
7 reduction factor. What I was referring to is from
8 one of the things on this -- on this particular line,
9 line 13, page 6, where we talk about the geography
10 is -- you know, one of things I am referring to there
11 is the large number of customers served by rear lot
12 facilities.

13 Q. Okay. So that is mainly about the rear
14 lots, okay. On page -- I'm sorry. On page 6 at line
15 14, you state, "I believe that 120 minutes represents
16 the optimal reliability performance for CEI." Can
17 you explain what you mean by that?

18 A. Yeah. When I look at 120 minutes, and I
19 am referring to the IEEE study, that would put CEI's
20 performance just slightly outside of top quartile.
21 You know, probably it would be in the top, say,
22 35 percent of the utilities in that survey, 100
23 utilities so that would be excellent reliability and
24 it would be achievable at a reasonable cost. So what

1 I am referring to is trying to create a balance
2 between excellent reliability and reasonable cost.

3 Q. Okay. Let's move on to page 7 and
4 discuss the rear lot reduction factor. I note in
5 your testimony at line 18 on page 7, you mention that
6 there is approximately 400 circuits where over
7 50 percent of customers are served from rear lot
8 facilities. Is that the exact number or have you
9 come up with one?

10 A. That is not the exact number. That's an
11 approximation. We do have the exact number. I don't
12 remember it sitting here today.

13 Q. Okay. Let me explore this rear lot
14 reduction factor some, if I could. If the rear lot
15 reduction factor is .5 -- let me back up. The rear
16 lot reduction factor would be applied on a
17 circuit-by-circuit basis; is that correct?

18 A. We would identify those circuits that
19 have more than 50 percent of the customers served
20 from rear lot. We would designate those circuits as
21 rear lot circuits, and the .5 would be applied to all
22 of those circuits.

23 Q. Okay. Now, if we look at this on an
24 individual circuit basis, just so I understand it, if

1 CEI's SAIDI target is modified to -- has changed to
2 120 minutes per year for SAIDI, if -- with the rear
3 lot reduction factor applied, a circuit could have
4 240 minutes of outages as measured by SAIDI and still
5 meet their ESSS target; is that correct?

6 A. Could you repeat that or maybe we could
7 have the court reporter read it back.

8 Q. I will try to do a better job of asking
9 it. You are proposing that CEI's SAIDI be adjusted
10 to 120 minutes; is that correct?

11 A. That's correct, their target.

12 Q. Okay. So if I am just dealing with a
13 given circuit, let's call it circuit No. 1, and
14 circuit No. 1 is a circuit where more than half the
15 customers are served by rear lot construction
16 facilities, okay, that circuit could have a SAIDI
17 measure of 240 minutes and still achieve its SAIDI
18 target; is that correct?

19 A. We don't establish a SAIDI target per
20 circuit. We don't do that today, and we are not
21 proposing that going forward.

22 Q. So you would group the circuits, the
23 roughly 400 circuits, and calculate SAIDI in the
24 aggregate from those circuits?

1 A. No, we would not.

2 Q. All right. I guess I don't understand
3 how you would apply the rear lot reduction factor.
4 Can you explain it a little bit for me?

5 A. Sure. I believe -- I believe I provided
6 an attachment to my testimony that walks through
7 that, and I don't have the attachment with me.

8 MR. REESE: Hold on just a second, will
9 you? I will be back in 10 seconds.

10 MS. MILLER: Wait, Rick. Are you going
11 to look for the attachment?

12 MR. REESE: Actually I was just going to
13 ask Dave if he is aware of it.

14 MS. MILLER: I don't think that we have
15 an attachment. I think the information was provided
16 through an interrogatory.

17 MR. REESE: Okay. We can take a look at
18 that, and we may have some discovery due today or
19 tomorrow but that may be in -- well, let's just
20 continue. If you could, I understand the concept of
21 your proposal that on a circuit -- a CEI circuit
22 where over 50 percent or more of the customers are
23 served through rear lot facilities would have this
24 factor of .5 applied, a multiplier. Are those

1 circuits combined to calculate the SAIDI or how would
2 SAIDI be calculated?

3 A. Yeah. I will try to walk you through it,
4 Rick. If you look at line 10 on page -- on page 7 of
5 my testimony.

6 Q. All right.

7 A. It says, "In an effort to establish a
8 representative outage duration time which takes into
9 account the challenges of rear lot construction,
10 customer outage minutes would be multiplied by a
11 factor of .5 on such circuits where 50 percent or
12 more of the premises are served by rear lot
13 facilities." So what that means is if we've
14 designated it as a rear lot circuit in -- and, again,
15 the definition is if it's got more than 50 percent of
16 its customers served from rear lot facilities, those
17 circuits you would take the customer -- the CMI,
18 customer minutes of interruption, some people refer
19 to that as customer outage minutes, but you take the
20 minutes that would occur in a year, you multiply
21 those minutes times .5.

22 Q. All right.

23 A. So that would establish the adjusted
24 minutes for purposes of calculating the overall SAIDI

1 for CEI. You would then take those adjusted
2 minutes --

3 Q. The rear lot reduction factor grouped
4 with all the other circuits after the factor was
5 applied --

6 A. Could you repeat that?

7 Q. I said so the rear lot reduction factor
8 after it was applied, those circuits would be
9 aggregated with all of CEI's circuits?

10 A. Yeah, yes. You would aggregate the
11 minutes so --

12 Q. Got you.

13 A. Yeah.

14 Q. Okay. I think I've got it.

15 A. Okay.

16 Q. All right. Do you know what -- I guess I
17 can do the math. Do you know what percentage of rear
18 lot facilities FirstEnergy or -- I'm sorry, excuse
19 me, Toledo Edison or Ohio Edison have?

20 A. I don't know exactly, but compared to CEI
21 it is a very small percentage.

22 Q. Okay. Are you aware if any other
23 electric utilities or states use a rear lot reduction
24 factor?

1 A. I don't know.

2 MR. REESE: Okay. Ebony, everybody, is
3 it okay if we take about a 5-minute break?

4 MS. MILLER: Yeah. That's fine.

5 (Recess taken.)

6 MR. REESE: We can go back on the record.
7 Are we back on the record?

8 MS. MILLER: Yes, we are.

9 Q. Mr. Snyder, I am on page 9 of your
10 testimony, and I'm referring to this IEEE 2006 study,
11 did that study address SAIFI or CAIDI at all?

12 A. I don't remember, Rick.

13 Q. Okay. Can you tell me briefly why SAIDI
14 is a better measurement for determining the DSI than
15 SAIFI or CAIDI?

16 MS. MILLER: Objection.

17 A. Could you rephrase that?

18 Q. Well, as you know better than I do, SAIFI
19 deals with the frequency of outages and CAIDI deals
20 with the duration. Would one of those -- either of
21 those be a good measure for determining the DSI?

22 A. That's not what we -- we've proposed
23 SAIDI. I can't say that one would be better than the
24 other. We've proposed SAIDI.

1 Q. Are you familiar with the electric
2 service and safety standards?

3 A. I'm familiar with it.

4 Q. Are you familiar with Rule 11 that deals
5 with circuit reliability?

6 MS. MILLER: Objection.

7 A. I can try to answer some of your
8 questions. I am just not sure if I am familiar with
9 Rule 11 as you state it.

10 Q. All right. Rule -- are you aware that
11 there is a Commission rule that deals with circuit
12 reliability?

13 A. I don't know.

14 Q. Okay. Are you aware of any Commission
15 rule that deals with the 8 percent of the worst
16 performing circuits?

17 MS. MILLER: Objection.

18 A. I know that we have to -- we look at the
19 8 percent worst performing circuits on an annual
20 basis, and we put plans in place to improve the
21 reliability of those circuits.

22 Q. Do you know what measure is applied to
23 determining the worst performing circuits?

24 MS. MILLER: Objection.

1 A. I don't know.

2 Q. Do people that report to you gather that
3 data?

4 MS. MILLER: Could you be more specific
5 with "that data"?

6 Q. Well, there are a number of ESSS rules
7 that deal with circuit and system reliability.

8 A. Okay.

9 Q. Are you aware of who in your company
10 reports on that performance?

11 A. Generally, I am aware, yes.

12 Q. Do you know who that is?

13 A. It would be individuals in Mark Julian's
14 organization.

15 Q. Well, I believe you reference in your
16 testimony -- let me review this just a second. Let
17 me rephrase that.

18 Are you aware whether the SAIDI
19 adjustments that you recommend for CEI would impact
20 ESSS reporting?

21 A. That's very broad. Could you be more
22 narrow on the question?

23 Q. Well, would you accept that SAIDI
24 performances reported as part of the Commission's

1 electric service and safety standards?

2 A. Yes.

3 Q. Would you also accept that a change to
4 CEI's SAIDI measure from 95 to 120 minutes would
5 affect the reporting under the ESSS?

6 A. Are you referring to the fact that we
7 have proposed a change to the target from 95 to 120?

8 Q. Yes.

9 A. Yes.

10 Q. And are you aware that those targets are
11 proposed and adopted under ESSS Rule 10?

12 MS. MILLER: Objection.

13 A. I am not familiar to that degree, you
14 know, how ESSS rules have been established.

15 Q. So you are proposing a change to SAIDI
16 targets, but you don't understand how they impact the
17 ESSS?

18 MS. MILLER: Objection.

19 A. Could you rephrase the question?

20 Q. Well, let me ask you a different
21 question. Are you aware of anything that's contained
22 in Attachment E of the companies' application?

23 A. Yes, I am aware of Attachment E.

24 Q. Are you aware that Attachment E talks

1 about SAIDI targets?

2 A. Yes.

3 Q. And specifically references Rule 10?

4 A. As I said earlier, I don't have
5 Attachment E in front of me. I don't remember if
6 Attachment E is --

7 Q. We can save some of that for cross. On
8 page 10, you reference at line 6, "the energy
9 delivery system." Can you tell me what part of that
10 deals with distribution system reliability?

11 A. I don't understand the question, Rick.
12 You are referring to page 10, line 6?

13 Q. Well, let's begin at line 5 about your
14 answer, "The companies commit to make capital
15 investment in their energy delivery system in an
16 aggregate of \$1 billion from 2009 through 2013." Do
17 you see that?

18 A. I do.

19 Q. What part of that would be dedicated to
20 distribution system reliability?

21 A. We haven't -- we haven't separated out
22 the billion dollars into subcomponents as you are
23 referring to reliability. It is intended that the
24 billion dollars is -- would be invested in the

1 distribution system, in other words, not the
2 transmission system.

3 Q. So that 1 billion would not include
4 transmission expenditures?

5 A. That's correct.

6 Q. Referring to question and answer
7 beginning at line 10 on page 10 of your testimony,
8 you make reference to prioritization of capital
9 expenditures and you discuss value-of-service
10 analysis that the companies perform. Was there a
11 value-of-service analysis filed with FirstEnergy's
12 application in this case for the operating companies?

13 A. I don't -- I don't know.

14 Q. Okay. I just want to refer to the last
15 page of your testimony -- wait. Hold on one second,
16 please. Let's go to page 11, last page of your
17 testimony, you discuss "smart grid study."

18 A. Are you referring to there at line 3? I
19 see that.

20 Q. That's correct.

21 A. Okay. Yes.

22 Q. I take it the companies are going to pay
23 for this study; is that correct?

24 A. That's correct.

1 Q. Do you know what -- do you have an
2 estimated cost for that study?

3 A. I believe we provided that answer in an
4 interrogatory. I believe it was less than a million
5 dollars per company.

6 Q. Okay. It states -- your testimony states
7 that the study will be completed by December 31 of
8 2009. Do you know when the study will begin? When
9 do you propose to start the study?

10 A. I don't know.

11 Q. Can you tell me why FirstEnergy is
12 proposing this type of study at this time?

13 A. There's significant interest around the
14 industry in smart grid application and we want to
15 take a look at our system and see, you know, what
16 would be needed to implement smart grid technology.

17 Q. If you know, how will the -- how would
18 this smart grid study interface with the AMI pilot
19 program and the dynamic pricing pilot program also
20 proposed by the companies?

21 A. I don't know.

22 Q. Now, the AMI program is anticipated to go
23 for the duration of the three-year ESP plan period.
24 Did the companies have a tentative schedule for

1 deployment of a smart grid?

2 MS. MILLER: Objection.

3 A. I don't know.

4 Q. Do you know if this study will include
5 cost/benefit analysis?

6 MS. MILLER: To clarify this is the smart
7 grid study?

8 MR. REESE: That's correct.

9 A. The study I am referring to on page 11,
10 Rick?

11 Q. Right.

12 A. Yes. We would include a cost/benefit
13 analysis.

14 Q. Will it -- do you know if it will
15 estimate operational savings, demand response,
16 avoided cost savings, and customer benefits?

17 A. I don't know.

18 Q. Has the company discussed the details of
19 this study with the PUCO staff?

20 A. I don't know.

21 Q. Has the company already selected a
22 consultant to conduct the study?

23 A. No.

24 MR. REESE: One second, please. I am

1 going to moot for 10 seconds.

2 That's all I have.

3 MS. MILLER: Lisa, are you back on?

4 MS. McALISTER: I am.

5 MS. MILLER: Do you have any questions?

6 MS. McALISTER: No, I don't. Thank you.

7 MS. MILLER: Matt, are you still on?

8 MR. WHITE: Yeah, I'm here.

9 MS. MILLER: Do you have any questions?

10 MR. WHITE: No, I don't.

11 MS. MILLER: Did anyone join the call
12 that had not made an appearance at the beginning?

13 Okay. I think this will conclude the
14 deposition of Mr. Schneider today. Thank you, guys,
15 for your time.

16 MR. REESE: Thank you very much.

17 MS. McALISTER: Thank you.

18 MR. WHITE: Thank you.

19 (Thereupon, the deposition was concluded
20 at 4:25.)

21 - - -

1 State of Ohio :
2 County of _____ : SS:

3 I, Donald R. Schneider, do hereby certify that
4 I have read the foregoing transcript of my deposition
5 given on Thursday, September 25, 2008; that together
6 with the correction page attached hereto noting
7 changes in form or substance, if any, it is true and
8 correct.

9 _____
10 Donald R. Schneider

11 I do hereby certify that the foregoing
12 transcript of the deposition of Donald R. Schneider
13 was submitted to the witness for reading and signing;
14 that after he had stated to the undersigned Notary
15 Public that he had read and examined his deposition,
16 he signed the same in my presence on the _____ day
17 of _____, 2008.

18 _____
19 Notary Public

20 My commission expires _____, _____.
21
22
23
24

1
2 CERTIFICATE

3 State of Ohio :
4 : SS:
5 County of Franklin :

6 I, Karen Sue Gibson, Notary Public in and for
7 the State of Ohio, duly commissioned and qualified,
8 certify that the within named Donald R. Schneider was
9 by me duly sworn to testify to the whole truth in the
10 cause aforesaid; that the testimony was taken down by
11 me in stenotypy in the presence of said witness,
12 afterwards transcribed upon a computer; that the
13 foregoing is a true and correct transcript of the
14 testimony given by said witness taken at the time and
15 place in the foregoing caption specified and
16 completed without adjournment.

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

21 IN WITNESS WHEREOF, I have hereunto set my
22 hand and affixed my seal of office at Columbus, Ohio,
23 on this 25th day of September, 2008.

24 Karen Sue Gibson
Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

My commission expires August 14, 2010.

(KSG-4985)

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