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 Gregory F. Hussing, taken before me, Maria DiPaolo Jones, a Notary Public in and for the State of Ohio, at the offices of FirstEnergy, 76 South Main Street, Akron, Ohio, on Tuesday, September 23, 2008, at 4:30 p.m.

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VOLUME I

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

ALSO PRESENT:

Mr. Dylan Sullivan, NRDC.

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Tuesday Afternoon Session,
September 23, 2008.

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MR. HAYDEN: Why don't we go ahead and take appearances, abbreviated is fine. This is Mark Hayden on behalf of the companies.

MR. BREITSCHWERDT: Brett Breitschwerdt on behalf of NOPEC and the Ohio Schools Council.

MR. HAYDEN: And that is everybody from here in Akron. Those on the phone?

MR. POULOS: Greg Poulos from Ohio Consumers' Counsel.

MR. PETRICOFF: Howard Petricoff for Constellation NewEnergy.

MR. ROYER: Barth Royer for the Ohio Environmental Council.

MR. LAVANGA: Mike Lavanga for Nucor Steel Marion.

MR. SULLIVAN: Dylan Sullivan, NRDC.

MR. MILLER: Chris Miller for the city of Cleveland.

MR. STINSON: Dane Stinson for FPLE Power Marketing and Gexa Energy Holdings.

MS. McALISTER: Lisa McAlister for

Industrial Energy Users-Ohio.

MR. BELL: Lang Bell for the Ohio Manufacturers Association.

MR. HAYDEN: Anybody else?

(No response.)

(Witness sworn.)

MR. HAYDEN: All right, Howard, you're up.

MR. PETRICOFF: Thank you.

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GREGORY F. HUSSING

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

EXAMINATION

By Mr. Petricoff:

Q. Good afternoon, Mr. Hussing.

A. Good afternoon.

Q. Do you have your testimony close at hand?

A. Yes, I do.

Q. Including Schedule 1?

A. Yes, I do.

Q. Thank you. If you would, turn to page 3 of your testimony, and I'd like to point your attention here to lines 22 and 23 and this is where we're talking about the billing determinants as was used in Schedule 1. I just have a couple of questions to make sure that I understand how this was done. The billing determinants that you refer to here and referred to in Schedules 1a through 1c, those were taken from the 07-551-EL-AIR rate case?

A. That is correct.

Q. And those were three-month actuals and nine-month projections?

A. That is correct.

Q. Do you recall what the nine months, how far the nine months projected went out?

A. The actuals were March, April, May, so the rest of the nine months would be estimate.

Q. Have we run through that time period now? Do you now have actuals for the whole 12-month period?

A. Not as part of this filing.

Q. No, but let's see if we had nine months -- so you say that it was March, April, May were the actuals, of what calendar year?

A. One moment.

Q. Sure.

A. That would be 2007.

Q. Okay. So by now the full data for the test year is in for the 07-511 [sic] case?

A. That is correct.

Q. Were actuals filed in that rate case for the projected period?

A. Yes.

Q. Are you familiar with the actuals that were filed?

A. I don't have them in front of me.

Q. But do you recall them at all?

A. What do you mean by "recall"?

Q. Well, let me ask you another question. Do you recall whether or not the actuals were close to the nine-month projected?

A. I don't have the numbers in front of me.

Q. And I take it you don't recall whether or not they were close or they were far away from the projections.

A. No, I do not.

Q. Talking about the billing determinants that we have in Schedule 1, am I correct that all of the data that we see in 1, the billing determinants in the data we see in Schedule 1 assumes there is no shopping?

A. That is correct.

Q. And I see that we have, when I look at Schedule 1, turn to Schedule 1, I see that there is -- there appears to be numbers up at the top where it says "Rate Impact" and there's a page number.

A. Do you want me to refer to a Schedule 1?

Q. Yeah, if you would. Refer to Schedule 1. And let's refer to the 2008-2009 Rate Impact page which would say "Rate Impact" at the top and a "(1)."

A. Do you have a particular company?

Q. Yes, I think that page -- at page 1, the one that says "Rate Impact (1)" which would be the first page of 15 would be the Ohio Edison Company.

A. Okay. I have it in front of me, Howard.

Q. Okay. Given our last answer I assume that if I look down the column that says "kWh Sales," those are the total projected sales from the 05 -- I'm sorry, 07-511 rate case for all the kilowatt-hours for Ohio Edison in the test year.

A. That is correct.

Q. And I assume, then, if I summed what we have on what is Rate Impact page (1) and Rate Impact page (16) which would be Cleveland Electric Illuminating, and Rate Impact page, let's see here, (33), that I would have all the kilowatt-hours for all three of the operating companies.

A. That is correct.

Q. And let's go back, then, and look at Rate Impact page No. (1) and we have a line, this will be Column F, Revenues. Do you see Column F?

A. Yes, I do.

Q. Okay. Do those revenues include any of the riders that are requested in the ESP application?

A. No, they do not.

Q. If you would, turn to page (2), that is Rate Impact and then the "(2)" which would be the next page afterwards. And we should be looking at a sheet for the residential service.

A. Howard, just to go back to the last question --

Q. Yes.

A. -- the transmission rider is in both '08 and then there's a transmission, the same amount of transmission revenue in the '09 number.

Q. So the revenue numbers in '08 and '09 do have transmission in them. Let me have you turn back now to Rate Impact (2) and if I go across, there's a number of riders that are listed between lines 35 and

55, and there are some revenue figures that are listed in column F of the Rate Impacts (2). Are any of those revenues -- oh, I see. Okay, those are carried over. Aside transmission those are all carried over in the 2009 Column H, if I go back to Rate Impact (1)?

A. Rate Impact (1), Column H, is the summary of Rate Impact (2), Column F.

Q. So bottom line here then is for 2008 we have no riders in the revenues save for the transmission, and for 2009 we have whatever is picked up on the subsequent rate impact pages.

A. Well, I want to look at, when you're looking at Rate Impact page (2), what would be consistent between '08 and '09 is you have kilowatt tax, you have transmission.

Q. Oh, okay. I'm glad you pointed that out. That's right, the kilowatt tax would be a rider too. Okay, that's very helpful, thank you.

Let's turn back to your testimony, then, and I'd like you to go to page 5, and on line 8 you have "The second major consideration is to incorporate the concept of gradualism in the transition from historic rates and structures to the proposed rate classifications and components of the ESP." These are lines 7 to 9. Do you see that language?

A. Yes, I do.

Q. Okay. I'd like to explore that concept of gradualism with you. Does the company have any criteria that it uses to determine at what point increase exceeds gradualism and needs an adjustment and what point is just an increase that doesn't require treatment under this concept of gradualism?

A. Gradualism in this case was more of a process than a specific number.

Q. When you say "more of a process," take me through, what was the process?

A. We looked at the percent increases without any effects of mitigation, at the specific rate schedules, and deemed to make some adjustments.

Q. Did you have a bright-line test such as, you know, start making adjustments after 10 percent or after 12 percent?

A. No, I did not.

Q. Are they all consistent? Is there a level that -- when you look back at all of the rates that you applied adjustment to, were they all over X percent?

A. No.

Q. Was each individual rate, then, an individual decision as to whether you thought gradualism should be applied?

A. Can you rephrase that?

Q. Sure. I'm trying to figure out what criteria that you used, and I understand you didn't use a bright line percentage test, what criteria that you used to decide this is a rate that needs gradualism in its implementation versus this is a rate that doesn't need it. Were there any criteria you used at all?

A. I compared the percent increases of the rate schedules to each other to determine which schedules I would look into mitigating.

Q. Did you have sort of an informal test, though, that anything under 5 would be okay?

A. No.

Q. Well, let me ask you the question directly. If you saw an increase of 5 percent, would that call out for gradualism?

A. Once again, it was comparative to the other schedules.

Q. Okay. So you're looking to see how much they increased vis-a-vis how much other schedules increased?

A. That is correct.

Q. Was there any bright line or criteria that you used in this sort of relative comparison to pick out those to which you were going to apply gradualism?

A. The schedules -- no, there wasn't a bright line.

Q. Fair to say it was more of a gastronomic type approach, this one just looked like it was way out of line so we approached it as opposed to we had these numeric tests?

MR. HAYDEN: Hold on, Howard, I didn't hear the term you used. I'm sorry.

MR. PETRICOFF: A gastronomic. A gut feeling.

MR. HAYDEN: Okay.

A. No, it wasn't a gut feeling.

Q. What criteria did you use, then?

A. It was comparative, the percent increase was comparative to the other rate schedules' increase.

Q. Okay, I think I follow you that far. But you would have -- wouldn't you have a comparative number for every rate relatively speaking that increased by a certain amount? How did you single out those that were going to get gradualism type treatment?

A. They were larger than the other rate schedules, comparatively speaking.

Q. Well, let me just finish this up, then. But there was no bright-line test of how much more -- how much greater the increase had to be before you implemented gradualism. There was no defined test.

A. That is correct.

Q. Okay. When the company applies gradualism, is it preordained that they're going to -- that the customer eventually is going to be brought up to the full rates?

A. Over time that is correct.

Q. Is there an amount of time that's sort of set aside that is where everyone has to be caught up in five years or ten years, any rule like that?

A. No, there is not.

Q. But is the goal to have everyone eventually caught up?

A. Caught up to what?

Q. Caught up to what their full rate would be.

A. The tariff rate?

Q. The tariff rate.

A. That is correct.

Q. Actually, we better clarify that tariff rate because under gradualism the reduced amount from what the billing determinants would have otherwise produced is the tariff rate; isn't that true?

A. Can you say that again, Howard?

Q. Sure. If we're applying gradualism, the actual tariff, we go to look up the tariff, you know, at the Commission, it will be the rate that that customer's being charged which will have the discount in it, correct?

A. If the discount is a tariff.

Q. Right, if the discount is a tariff.

Well, let me ask you this question: In the ESP application as it is are all of the reductions that are established under this policy of gradualism, are they all rider credits, or are they adjusted rates?

A. They are rider credits and also rider charges.

Q. So for every customer who is getting a rate adjustment due to gradualism, we should be able to find an individual rider that implements that.

A. Yes.

Q. Let me direct you now to page 7 of your testimony. I want to direct you to lines 11 to 22, this is the distribution service rider.

A. Okay.

Q. And I notice that the purpose of the distribution service rider is to catch up what appears to be a five-month gap between the implementation for CEI and Toledo Edison customers and the implementation of the new rates or -- I'm sorry, I misspoke. Let me start again.

The distribution service rider appears to be a rate component designed to account for the difference in the implementation of the new rates between Ohio Edison and Toledo Edison that start on January 1st, 2009, and CEI that starts on May 1st, 2009.

A. That is correct.

Q. And my question -- right. And my question for you is what created the five-month gap, if you know?

A. Well, it's January through April is the distribution service rider.

Q. Make that a four-month gap then.

A. Okay. This is -- the distribution rates for CEI do not change until May 1st, so the -- but on January 1st the generation related and transmission related schedules go into effect under the new rate schedules, RS, GS, GP, GT, the eight new rate schedules. So the customer will be billed under -- January 1st under the new rate schedules for generation and transmission, and the riders, all riders except the distribution portion will be billed under the old rates, the existing distribution rates.

So the distribution service rider is just really the existing distribution tariff information moved into a rider.

Q. That's helpful, thank you. Now I'd like to turn to page, the green resource rider, line 11 of your testimony. In there you indicate that the RECs, R-E-C, set forth in the tariff will be determined by a competitive bidding process plus an administrative cost. I'd like to ask you now how will that administrative cost be determined?

A. The company isn't proposing to add any existing administrative cost. That administrative cost was already part of the initial REC -- REC filing.

Q. You say "original REC filing. That's the 06-1112-EL-UNC case?

A. Yes. So if you would look into that case, that determines the process for setting the REC price.

Q. Is this administrative cost an administrative fee that is collected by and kept for administrative costs from FirstEnergy?

A. It was administrative costs to procure the RECs and administrate the program.

Q. But that program was administered by FirstEnergy as opposed to by a third-party consultant?

A. That is correct.

Q. If you recall, how was that administrative cost calculated?

A. It was a fixed number. Part of the Commission order.

Q. Next I'd like to take you to -- staying on page 8 to lines 17 to 23, this is the economic development rider, and if you would, explain to me how the series of credits and charges are going to work mechanically in order to implement this economic development rider.

A. They're administered -- you know, the mechanics are shown on the economic development rider itself.

Q. When you say "the rider itself," in the tariff in, I can't think offhand -- we have the tariffs in like the 3 series, 3a, b --

A. Yes.

Q. -- 3b, 3c.

A. Yes.

Q. Let me just take you down one level of granularity there. What is the residential nonstandard credit provision? How is that applied? Or what does that consist of?

A. The residential nonstandard credit provision applies to, in general, you know, those customers that are nonstandard which are water heating and electric heating customers and it's applying a credit to them in the winter for kilowatt-hours over 500.

Q. I notice that we have a residential

distribution credit rider. How does that differ from this economic development rider?

A. The residential distribution credit rider is applying a credit for distribution where the economic development rider is providing a revenue neutral to the company movement on generation.

Q. So for that group the electric water heaters, for example, that basically these pair up, the distribution credit rider is the difference for the wires charge and the economic development rider is the difference for the energy.

A. That's correct.

Q. If you would now turn to page 10, lines 17 to 20, this is the demand-side management and energy efficiency rider, and I see that this rider picks up the lost distribution revenues, so the wires charges revenues. Is there something similar to that that would pick up the energy?

A. Can you clarify what you mean by "energy"?

Q. Sure. Just as we just went through on the last one with the electric water heater, and I understand that that's a historic one, but we had a customer that was receiving a discount and we had the rider that picked up the wires charges and then we had our economic development one which picked up the lost revenues for generation.

Here we have, I see where we have -- where we're picking up the wires on the lost revenue due to the reduced usage, and my question to you, is there something that's corresponding that would pick up the lost, I guess we have to call it revenue opportunity because we're talking about a conservation here, the lost revenue opportunity on the generation that's not going to be sold?

A. The only lost revenues as far as -- is distribution revenues in the demand-side management rider.

Q. I see. Okay. If you would now I'd like to direct you to I guess page 11 -- excuse me for just one minute. I want to make sure I've got the right citation here.

Okay. I take it back. I have another question for you while we're here on page 10. This demand-side management rider I see is nonbypassable; is that correct?

A. That is correct.

Q. However, there is a provision where you can avoid it, this is on page 11 at the top lines 1 through 4. You can avoid it if you are the site of a conservation project for which the company is able to secure credits under its conservation obligations, and my question before you here is if a shopping customer could effectuate the bypass if, in fact, they were part of a conservation program that was customer sited.

A. The rider's applicability would be per the terms of the application or the requirements of the rider, per the terms of the rider.

Q. And do you have an opinion on this situation, what if I am a customer who is shopping and I engage in a conservation program such as -- with the company which would qualify for the company to get -- to count the conservation, let's say I change out my light bulbs and put in more energy effective ones, would I be able to bypass this charge even though I am purchasing from a competitive electric retail supplier?

A. Per the terms of the rider it does not preclude the avoidance based on shopping status.

Q. So the answer is "yes"?

A. Yes.

MR. PETRICOFF: I believe that's all I have for you. Thank you very much.

And, Greg, thank you for allowing me to lead this off.

MR. POULOS: Not a problem.

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EXAMINATION

By Mr. Poulos:

Q. Good evening, Mr. Hussing. This is Greg Poulos from OCC. Hello.

A. Yes, I'm still here.

Q. Can you hear me?

A. Yes.

Q. Just because it's telephonic, please let me know if at any point you have a hard time hearing my questions.

I guess the first thing I would like to ask is looking at your testimony which Mr. Petricoff was asking you questions on, are there any changes or corrections that you are now intent on making to your testimony?

A. Yes.

MR. HAYDEN: You have your list of errata.

THE WITNESS: Yes, but I don't have my list of errata with me.

Q. Do you know generally what they relate to?

A. One provision on page 11 which refers to line 4, will the companies secure compliance with 4928.64 and 4928.66.

Q. And what is the change going to be?

A. The renewable citation will be removed.

Q. Okay. Are there any others?

A. Not to my knowledge.

Q. I'm going to have you turn to page 2 of your testimony very briefly. On line 10 it says in answer "I am responsible for all or part of the following schedules." What do you mean by you are responsible for -- what does the word "responsible" mean there?

A. I supported.

Q. Did you, based on those schedules there from lines 13 to 32, did you draft all of those? Or let me ask you this way, did you draft line 23 of the workpapers through line 32 of the workpapers?

A. I reviewed the workpapers.

Q. Are there any there that you drafted?

A. In their entirety?
Q. Yes.
A. No.
Q. Okay, I'll ask them individually. Going to the distribution service rider Mr. Petricoff asked you a number of questions on, and that's on page 7 of your testimony? And even if you look on page 6 of your testimony I notice that there is, I'm sorry, that chart on page 2 I note there's no workpapers for the distribution service rider and that's -- the company have any kind of estimates or projections on what those numbers are going to be?
A. The distribution service -- can you tell me which schedule you're looking at again?
Q. I guess I kind of -- I'm looking at the distribution service rider testimony on page 7.
A. Yes.
Q. And then I'm referring back to page 2 where you talk about the schedules you're responsible for, and there's no distribution service rider workpaper, correct?
A. Yes, there's schedule 5i.
Q. 5i, okay.
A. Or wait a minute. Excuse me. The

distribution service rider. The distribution service rider does not have a workpaper.

Q. Did the company do any projections on what the numbers will be?

A. The distribution service improvement rider is a textual rider that just moves current existing distribution rates from the existing tariffs into a rider. There is no workpaper.

Q. The distribution service rider.

A. Yeah. It's just taking tariff language from the existing tariffs, the distribution portion of those tariffs, and moving them into a rider.

Q. Mr. Hussing, has the company done -- the companies done any projections or actually CEI, so the company, has it done any projections on the -- about what's going to happen with the money for that period in 2009 from January to April; how much revenue is going to be received by the company?

Hello.

A. Yeah, I'm thinking.

Not in the schedules that I have supported.

Q. Outside of the schedules that you have supported has the company projected those numbers?

A. What do you mean by "projected"?
Q. Do you have an idea of how much revenue the company will receive in that time period?
A. Yes.
Q. How many kilowatts will be used?
A. We have a budget.
Q. Has that budget been provided to OCC?
A. I do not know.
Q. And what would that budget be called?
A. Budgeted Revenue.
Q. For what period of time?
A. January through May. Or January through April.
Q. Okay, now I'm going to turn on the same page, page 7 of your testimony, regulatory transition charge and residential transition rate credit rider. In your opinion, what is the purpose of this rider?
A. This rider, very similarly to the distribution service rider, takes the existing RTC tariff information from the current tariffs and places it in a rider.
Q. And what do you mean by "very similar"?
A. It's very similar in the context of the purpose of the rider. It's moving it from current

tariffs to the proposed tariff but in a rider section.

Q. And what costs does it recover?

A. It's recovering the regulatory transition charges and residential transition rate credits.

Q. Are there any other charges, costs it's recovering?

A. No.

Q. Mr. Hussing, do you have the documents I e-mailed earlier to Mr. Hayden, your counsel?

A. Yes.

Q. I believe approximately the third document is the tariffs for this, the proposed tariff for the regulatory transition charge and residential transition rate credit rider.

A. Yes.

Q. Do you see that?

A. Yes, I do.

MR. POULOS: Mark, could you have that, how have we been marking these?

MR. HAYDEN: We haven't marked yet. I mean, I haven't looked through those documents so I assume it's just a replica of what was filed in the case. I mean, you can refer to them if that's the case. If those documents are different than what we filed, then this is probably going to have to be your exhibit.

MR. POULOS: No. Yeah, this is what's been filed. It doesn't matter to me if you just want to mark it as an exhibit or just I can refer to it.

MR. HAYDEN: Assuming it's the exact same document we might as well just refer to it.

MR. POULOS: Okay.

Q. (By Mr. Poulos) This is Schedule 3a, so it's the CEI company, do you recognize this, Mr. Hussing?

A. Yes, I do.

MS. McALISTER: I'm sorry to interrupt, but could we have a more specific reference? Schedule 3a, page?

MR. POULOS: 148 of 190.

MS. McALISTER: Thank you.

MR. POULOS: Sure.

Q. And it's a five-page document, pages 1 of 5 through 5 of 5, correct, Mr. Hussing?

A. That is correct.

Q. Did you draft this document?

A. No, I did not.

Q. Who did draft it?

A. My staff.

Q. Was it under your direction?

A. Yes.

Q. And where did the -- as you can see on the first page, there are a number of, there's a second column with a number of rates in it; where did those come from?

A. From the existing filed tariffs.

Q. Okay, move on to the green resource rider. There are, based on your testimony on page 2, there are no workpapers for this rider as well; is that correct?

A. That is correct.

Q. And what is, in your opinion, what is the purpose of this rider?

A. As my testimony explains, to continue to offer customers the opportunity to purchase, you know, renewable energy credits.

Q. The only question I have -- Mr. Petricoff had a couple of questions I had, but it does say in your testimony on line 5 on page 8 that this green resource rider is similar to that that was approved in case 06-1112. How is it similar? Or if it's easier, how is it different?

A. It's exactly the same language only it doesn't have a rate in it.

Q. And why is that?

A. Because the rider has yet to be approved.

Q. Do you have a proposed rate for it?

A. No, we do not.

Q. Have you had discussions with the Public Utilities Commission staff about this rider?

A. The proposed rider?

Q. Yes.

A. No.

Q. Are you aware of discussions by anyone in your company about the proposed rider with the Public Utilities Commission staff?

A. No.

Q. Next I want you to turn to page 16 of your testimony, experimental dynamic pricing rider.

A. Yes.

Q. Okay. There's no workpapers for this as well?

A. That is correct.

Q. On line 10 it states that "The purpose of the AMI pilot is to determine whether a program that combines Summer time-of-day generation rates with real time energy usage information can effectively change customer behavior and energy consumption," lines 10 through 12. Do you see that? Is that the only purpose --

A. On which page?

Q. Page 16. I'm sorry, did I not state that? Do you see the first full sentence from line 10 to 12?

A. Yes.

Q. It talks about the purpose.

A. Yes.

Q. Are there any other purposes besides the one listed on this page in your understanding?

A. No.

Q. It talks about whether a program that combines summer time-of-day generation rates. Is this going to be a one-year program or do you expect it to be more than one year?

A. The program will last through the term of the ESP.

Q. The pilot program?

A. Yes.

Q. How is the parameters for this program chosen?

A. Parameters of the program are in Attachment F.

Q. Yes, actually I think that's one of the documents coming up, if you don't have it available, that I sent. Let me ask you this question: Were other programs, pilot programs considered?

A. Yes.

Q. What were those other programs that were considered?

A. Peak time rebate program.

Q. Okay. Anything else?

A. No, that was it.

Q. And why wasn't the peak time rebate program used?

A. I thought the critical peak pricing program would offer more information based on the purpose of the rider.

Q. Were you the one who made the decision to go with this program?

A. I consulted others.

Q. And who were the others you consulted with?

A. The regulatory group.

Q. Who is a part of the regulatory group you consulted with?

A. Dave Blank.

Q. Anyone else?

A. Other staff members.

Q. Do you recall who they were?

A. My staff.

Q. Who chose, who decided upon the number of 500 customers for this pilot program?

A. I did.

Q. Was this in collaboration with anyone else?

A. It was based on my ability to see what the -- to work within the realms of the program.

Q. Would you clarify that a little better? Work within the realms of the program, what does that mean?

A. We're going to use existing infrastructure.

Q. Okay. Was that an important part of the decision to do the 500 or was that the only part of the decision to do 500 customers to be a part of the existing infrastructure?

A. Yes, that's the reason for the 500

customers. It's to work within the existing infrastructure.

Q. Why was that an important aspect in this program?

A. We're not going to put any new systems in place to conduct the pilot.

Q. And was that decision made by you or by others as well?

A. That was a decision made by me.

Q. Have you had any discussions with the Public Utilities Commission staff regarding the 500 people number?

A. They have asked discovery.

Q. Let me ask you very basically what's your background with these type of programs? Have you had any training?

A. Can you be more specific about "training"?

Q. Have you gone to any seminars regarding AMI programs?

A. I have reviewed other company programs.

Q. What programs are those? What other companies are those?

A. Gulf Power.

Q. Gulf Power? In which state is that?
A. That's a southern company.
Q. Is there any specific state program you were looking at or is it --
A. No.
Q. Any others?
A. Reviewed Baltimore Gas & Electric.
Q. And what did you review of Baltimore Gas & Electric?
A. Their pilot program.
Q. How many customers did they have in the Baltimore Gas & Electric pilot program?
A. I don't know.
Q. Did you know at one time?
A. No.
Q. What about the Gulf Power?
A. No.
Q. Were there any other programs you reviewed?
A. No.
Q. Were there any other resources you used to develop the AMI pilot program that you proposed?
A. EEI information.
Q. Could you be a little more specific?

What EEI information?

A. EEI publications on dynamic pricing programs.

Q. What publications were those?

A. I don't have those with me.

Q. Were they articles, or books, or magazines?

A. Articles.

Q. Approximately how many?

A. One.

Q. And do you recall what year it was published?

A. No.

Q. Do you have a ballpark? Was it a recent one?

A. Yes.

Q. Do you recall approximately how long the article was?

A. No.

Q. Has FirstEnergy hired a consultant to help with this issue?

A. With what issue?

Q. With the AMI pilot program.

A. No.

Q. Has FirstEnergy done any cost-benefit studies --

A. No.

Q. -- regarding the options for AMI programs?

A. No.

Q. Have you created any -- developed any schedules for implementation?

A. Implementation of what?

Q. Of the AMI program.

A. Of the AMI pilot?

Q. Yes.

A. Of the 500 customers?

Q. Yes.

A. No.

Q. In implementing the pilot program have you developed any monitoring protocols to monitor the progress of the customers?

A. No.

Q. Have you developed any evaluation criteria?

A. No.

Q. Have you developed any reporting protocols for reporting the information to the Public

Utilities Commission or to outside organizations?

A. No.

Q. Attachment F which you were referring to, did you draft Attachment F?

A. No.

Q. Who drafted it?

A. I don't know.

Q. Was it one of your staff members?

A. I reviewed the attachment and made comments.

Q. It was drafted by someone from FirstEnergy.

A. Yes.

Q. Okay. Earlier I asked if you had gotten any Public Utilities Commission staff input on the 500 customers. Is there any part of this program, the pilot program, that you've gotten input from the Public Utilities Commission staff?

A. No.

Q. Going back to your testimony, line 12 on page 16 -- Mr. Hussing, if there's any point that you need a break, just speak up.

A. Thank you.

Q. On line 12, it starts with "effectively change customer behavior," so it says, if you're looking at line 11, "Summer time-of-day generation rates with real time energy uses information can effectively change customer behavior." Who's going to determine if the customer behavior is effectively changed? Who makes that determination?

A. We will look at the data after the fact via the customer and also a control group.

Q. Who is that -- who is the "we" that you were speaking -- referring to?

A. The company and a collaborative group.

Q. Okay. Going down to line 16 and 17, at the end of line 16, "The Dynamic Peak Pricing rate design was chosen because of the standard pricing model." What does "standard pricing model" mean?

A. It's used as a standard means of dynamic pricing model. Critical peak pricing, which is the same as our dynamic peak pricing, and peak time rebates are standard programs, for example.

Q. Okay. Going down to line 19 starting in the middle there, "Once participants in the study are selected." How are the participants going to be selected?

A. We will look at customers that have shown that they have summertime usage higher than their, I want to call it their October or April usage, and utilize kilowatt-hours within a thousand to 4,000 kilowatt-hours. So we will select a group of customers within that range.

Q. And is there one of the three companies that those customers will come from, or how will it be determined what -- how far-reaching the group will be, if that makes sense?

A. We can -- that has yet to be determined.

Q. And who will determine that?

A. The collaborative group.

Q. Going down to line 21, "The Companies will implement the pilot program using advanced metering technology," and can you specifically tell me what the advanced metering technology is?

A. The advanced metering technology will be a meter that has a cellular communication device in it and also a home area network device in it which will allow the company to interrogate the meter at any time via a cellular communication and also the customer will be able to see information via a home display device.

Q. Is there a -- do you have a specific

brand name of the devices you will use?

A. No, we don't.

Q. Are there any you are looking at right now?

A. We have yet to decide on a particular brand. We're investigating.

Q. I had a brand I wanted to ask you about but I'll come back to it.

Going to the top of page 17, line 1, approximately 500 customers, I know I've asked you a lot of questions on this, but do you believe the 500 customer number is an adequate number to tell if the pilot program's successful?

A. Yes, I do.

Q. And could you give me your reasons for that answer?

A. I believe 500 customers with the range of customers that we're going to look at will provide, you know, enough data information to tell if customers -- if the proposed rate will satisfy the purpose of the pilot to determine whether a program that combines summer time-of-day generation rates with realtime information can effectively change customer behavior.

Q. Are you concerned about the ability to tell how it will -- how much they will spend on new technology and inputting a whole new system into your system with only 500 customers?

A. No. We're not adding any new -- we're not adding any new systems.

Q. Do you believe that the 500 customers will be able to adequately tell you the operational savings potential of the program?

A. The program is not designed to look at operational savings.

Q. Do you believe that 500 people give you enough information to tell you about the metering costs of a full implementation of a program?

A. No.

Q. And will 500 people be enough to tell you or give you enough information about the IT costs of a full implementation of a program?

A. No.

Q. And do you believe that 500 people will be enough to tell you or give you enough information to tell about the communication costs of a full implementation of a program?

A. No.

Q. Earlier you had mentioned that part of the criteria for being in this program is going to be discretionary summer usage such as air conditioning; did I get that right from before?

A. Yes.

Q. Is there any other discretionary summer usage that you're looking at besides air conditioning?

A. Air conditioning was an example.

Q. Yes.

A. I'm not --

Q. Any others?

A. I'm not disqualifying any others.

Q. Okay. You talked earlier as well about a collaborative group of major stakeholders. Who would be a part -- who are you considering a part of the collaborative group?

A. They are designated in Attachment F.

Q. I missed that. Where in Attachment F are they -- is there only one page in Attachment F?

A. There's two pages in Attachment F.

Q. I only have one page with me. Is there a list of groups on page 2?

A. Where I'm referring to is the company proposed a collaborative process in which interested parties provide input on the AMI process.

Q. Would OCC be one of those interested parties that you would include?

A. Yes.

Q. Is there any limit to the number of parties that can be included? Let me ask you this -- that's an unfair question. Let me ask you, who will make the decision about who's included in the group?

A. I don't know.

Q. Going down to line 10 of your testimony on page 17, "In addition, the Companies will not seek cost recovery of the first million dollars in costs associated with the pilot program." Who determined the $1 million amount?

MR. HAYDEN: Excuse me, Greg, I'm sorry, I didn't hear the question. Did you say who did determine the 1 million?

MR. POULOS: Yes, who determined the $1 million mark -- amount.

MR. HAYDEN: Okay.

A. I do not know.

Q. Do you know the basis for the $1 million amount?

A. The 1 million, when you take 500 customers and include the costs associated with Attachment F, provides an estimate of the costs.

Q. So then those costs would be the 500 per interval meter and 500 to a thousand dollars for installation, plus $25 per customer per year program incentive, and 180 per customer per year in communication costs?

A. Yes.

Q. Times the 500. So is it your estimate that to run this pilot program will be approximately a million dollars?

A. I believe it will be under a million.

Q. Okay. Looking at line 16 through line 20 on page 17, and specifically right now the lines 16 and 17, "The time of use On-Peak hours will be Monday through Friday 11 a.m. to 5 p.m., with all other hours being Off-Peak." Who made the determination of the two time periods, on-peak and off-peak?

A. I did.

Q. What was the basis of your decision?

A. The on-peak hours are periods that are critically loading periods on our system, and the off-peak are all other hours.

Q. Did you consider having a third or even fourth interval -- time periods?

A. Yes.

Q. And in considering having three time periods, what were those time periods that you were considering?

A. I don't remember.

Q. Do you remember a reason why you did not go with three time periods?

A. Simplicity for customers to understand.

Q. And what about for four time periods, do you remember the time periods that would be, when there were four of them?

A. I didn't consider four.

Q. Okay. Did you do any -- did you review any studies that had three time periods?

A. Can you explain that?

Q. Sure. You considered three time periods, correct?

A. Yes.

Q. And where did you get the concept of even having three time periods?

A. It as a variable time of use. It's an option that's available.

Q. Did you do any research about a third time period -- about including a third time period?

A. No.

Q. Regarding the use of time periods, whether it be two time periods or three time periods, did you talk to the Public Utilities Commission staff about the time period issue?

A. To.

Q. Did you consider using the time periods for more than just the summer period?

A. No.

Q. And why did you not consider using any other time periods?

A. The program seeks to see if -- customers with discretionary usage in the summer, so it's a summer program.

Q. Actually, before I misspoke, so I want to clarify the record that you do -- your proposal does have three time periods, correct? It does have an on-peak, an off-peak, and then a critical peak, correct?

A. No.

Q. What is the 12 times per year?

A. The 12 times are events of which the

pricing changes during the on-peak period.

MR. POULOS: Okay. If you don't mind, can we go off the record for a second?

MR. HAYDEN: Sure.

(Discussion off the record.)

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

Q. Mr. Hussing, I'll now have you turn to the demand-side management and energy efficiency rider, page 10.

A. Okay.

Q. Thank you. This is a new rider that is being proposed, correct?

A. Yes.

Q. What is the reason for this rider, what is the need for this rider, in your opinion?

A. To recover the costs associated with demand-side management and energy efficiency programs.

Q. Did the company recover those costs before? Let me correct that, are they currently recovering those costs?

A. This rider is to recover the costs associated with programs that are currently the residential program that we have, the home energy efficiency and demand-side management program, and any costs associated with demand-side management going forward.

Q. Could you identify the programs that will be -- you said the home efficiency ones? Do you know specifically what programs will be a part of the recovery in this rider?

A. Yes. It's in the rider itself.

Q. Do you have the rider in front of you?

A. Yes, I do.

Q. And where is it in the rider?

A. Provisions 1 and provisions 2.

Q. Thank you.

Does FirstEnergy currently evaluate the cost-effectiveness of the energy efficiency programs?

A. Yes. It will be looking at the cost-effectiveness program of the residential program.

Q. And that's -- when you mean "residential," that's the home performance with Energy Star?

A. Yes.

Q. And the direct load control?

A. Yes.

Q. How will it do that? How will it evaluate the cost-effectiveness of those programs?

A. Per the terms of the stipulation.

Q. And which stipulation are you referring to?

A. The one in PUC case 05-1125-EL-ATA.

Q. Okay. Looking at your workpapers, that is some of the documents I e-mailed today, the workpapers for the DSE rider, do you have those in front of you? And this would be schedule 5o, pages 1 of 17 through 17 of 17.

A. Okay.

Q. Do you have those in front of you?

A. Yes.

Q. I would say the first 12 pages are applications for three different companies; is that correct?

A. That is correct.

Q. Who created these applications?

A. They were created under my direction.

Q. And approximately when were they created?

A. Before our filing.

Q. What was the basis -- what did you use to help you develop the application?

A. The PUCO draft rules.

Q. Anything else?

A. No.

Q. If somebody submits an application, who will make the decision whether to grant it or not?

A. It would be in part a two-step process to fill out the application for its fullness and the second part would be for Commission review -- or, staff review.

Q. Okay. And if you see on the first page, page 1 of 17, it says at the top "Ohio Edison Company Rider DSE Standard Application." Do you see that?

A. Yes.

Q. At the bottom of that first full paragraph, a minimum of .45 percent for service in 2009, 1.2 percent for service in 2010, and 2.25 percent for service in 2011, 3.45 percent for service in 2012, and 4.8 percent for service in 2013, and how will the company determine if these figures are met?

A. They'll be compared, you know, those are -- that process is mentioned in the rider.

Q. Where is it mentioned?

A. One moment, I have to find the copy of the rider.

Q. The rider is Schedule 3a pages 161 of 190 through 164 of 190. At least the CEI one.

A. How it will be measured is in the avoidability section, page 2 of 3, section b.

Q. Section b, okay.

A. It's under the avoidability, section b.

Q. Thank you.

I'd like you to turn back to your workpapers, page 14 of 17 --

A. Of which rider?

Q. Highlighted . . .

A. Okay.

Q. On my copy there's a large area that's blacked out.

A. Yes.

Q. Is that confidential information or is there actual data that's blacked out, or is it just the chart?

A. No; there's a chart there.

Q. So there's no data that's blacked out.

A. No.

Q. Okay. Just a general question about your testimony on demand-side management and the energy efficiency rider. Is this rider designed to recover all of FE's actual costs?

A. FE's costs that it would need to recover for demand-side management energy efficiencies, yes.

Q. Are the costs reconciled?

A. Yes. And it's updated. When you say "reconciled," it means it's updated on a per diste.

Q. On a what, excuse me?

A. It's updated on a schedule.

Q. That schedule's on the tariff.

A. Yes.

Q. Have you had discussions with staff of the Public Utilities Commission regarding the demand-side management and energy efficiency rider?

A. The residential portion of the rider?

Q. Yes.

A. The residential portion of the rider is just -- is the demand-side management energy efficiency program that we had in the distribution case and it's been moved and consolidated with this rider.

Q. This rider will also have the $5 million per year deducted from it; is that right? That the company will pay.

A. No.

Q. Where will the $25 million that the company proposed in its application, where will that be reflected?

A. The 5 million per year is what the company is going to -- to cover programs not recovered from customers.

Q. Do you know what programs those will be?

A. It is yet to be determined.

Q. Who will make that determination?

MR. HAYDEN: I have to object. He's really not sponsoring that part of the application. That's really not part of his testimony.

If you know, you can answer.

Q. Let me ask you then, Mr. Hussing, do you know who is sponsoring that part of the testimony?

A. Mr. Blank.

Q. Okay. I want to move to page 8, the economic development rider. Would you explain to me how, I read the purpose and Mr. Petricoff went over some of the basics of this rider with you, but could you explain how this rider is an economic development rider?

A. The mitigation of rate changes on

customer impacts helps sustain economic stability.

Q. So it's not economic development in the sense of getting more or creating more business, is it?

A. It mitigates customer impacts.

Q. What do you mean by "customer impacts"?

A. Rate increases.

Q. Okay. I'll move to Delta revenue recovery rider, pages 8 and 9. Actually page 11 and 12, sorry. Did you draft this testimony here?

A. Yes, I did.

Q. Did you draft the workpapers for this?

A. Under my direction, yes.

Q. In your opinion, why is this rider needed?

A. Can you be specific, which rider?

Q. The Delta revenue recovery rider. What costs does this rider recover?

A. Recovery of revenue foregone as a result of discounts and special arrangements.

Q. Just special arrangements?

A. Yes.

Q. And what are -- could you define "special arrangements" for me?

A. Special contracts.

Q. With businesses or with other customers as well?

A. With customers.

Q. Residential customers?

A. No.

Q. In your testimony on page -- sorry, on page 11, line 9 it talks about "The approval of a special arrangement must also include approval of complete revenue recovery resulting from such an arrangement." Why does it have to have complete revenue recovery?

A. The distribution utility cannot absorb discounts associated with generation service.

Q. Has FirstEnergy absorbed those costs in the past?

A. Yes.

Q. And what makes the situation different now that it cannot absorb those costs?

A. The law has changed.

Q. So it's not an inability to absorb it, you're basing it on what the law says. Excuse me. It's not an inability of the company to be able to absorb it, you're basing it on your interpretation of the law.

A. No. It's a combination of the law and inability.

Q. Okay. Other than the law, take the law component out of it, you state the part about the inability, what -- could you tell me what has changed to make it an inability?

A. The companies -- the distribution company cannot take a loss, can't afford to take a loss on generation service. If it were required, it would take a loss on every transaction.

Q. Is there anything else?

A. It would also hinder the companies' inability to make significant investments in its -- to make investments in its energy delivery systems.

Q. Anything else?

A. No.

Q. Let's take the first one. The companies' limited ability to absorb such lost revenue. Is that a correct -- is that the first one?

A. Yes.

Q. Looking at line 10 and 11 of your testimony on page 11 you state "To do otherwise," and I'm assuming --

THE REPORTER: I'm sorry. I didn't hear you.

Q. "To do otherwise," on line 11, "jeopardizes the financial viability of the Companies because of the limited ability to absorb such lost revenue." When you mean "to do otherwise," that is to not allow complete recovery of revenue, right?

A. Yes.

Q. That's basically the first one you were talking about. Could you quantify for me what jeopardizes -- what amount it would take to jeopardize the financial viability of the companies in regards to complete revenue recovery?

A. Can you restate your question?

Q. Sure. It says, reading at line 10 it says "To do otherwise jeopardizes the financial viability of the Companies." Could you quantify for me the word "jeopardizes"? What amount of money would jeopardize the financial viability of the company?

A. I don't know.

Q. Okay. And do you know who would know the answer to that?

A. No, I don't.

Q. On line 11, it states "the limited ability to absorb such lost revenue." Could you quantify what is the limited abilities of the company?

A. The companies are distribution utilities with only distribution revenues.

Q. Is that your answer?

A. Yes.

Q. Pertaining to the statement "To do otherwise jeopardizes the financial viability of the Companies because of the limited ability to absorb such lost revenue" have you done any studies to determine the amount of money that we're dealing with here?

A. It's the filed Delta revenue in the case.

Q. The filed Delta revenue in the case?

A. Yes.

Q. So if the company -- and what about the filed Delta revenue in this case?

A. That is the Delta revenue the company is seeking to recover.

Q. So if the company does not get any of the Delta revenue, that would jeopardize the financial viability of the companies?

A. Yes.
Q. What if they got something more than, say, half of the Delta revenues, would that jeopardize the financial viability of the companies?
A. Yes.
Q. What if they got 3/4 of the Delta revenue that they filed in this case, would that jeopardize the viability of the companies if they got only three quarters?
A. I don't know.
Q. What if they got 80 -- or 85 percent of the Delta revenues, would that jeopardize the financial viability of the companies?
MR. HAYDEN: Objection. You know, I think we've gone through four or five of these, I suppose we could go through every percentage, but --
MR. POULOS: I'm just trying to find out -- well, let me ask this.
Q. Is there a point where it does not jeopardize the financial viability of the company?
A. The company would take a loss on every transaction.
Q. At any percentage.
A. On any percentage.

Q. And what do you mean by a loss?
A. It wouldn't recover its cost.
Q. And any loss jeopardizes the viability of the company -- companies.
A. It would not be able to earn its rate of return.
Q. And just -- I've been asking the question with the word "viability." What is your interpretation of viability of the companies, the financial viability of the companies?
A. Being able to maintain its rate of return.
Q. Same analysis for "limited ability to absorb such loss to revenue." Is there a percentage of the Delta revenue that the company must get to maintain -- to retain its ability to absorb such lost revenue? Is there a breaking point?
A. Can you restate that question?
Q. Sure. The second part of the sentence says that there's a limited ability by the company to absorb such lost revenue in the Delta revenue. What is the breaking point of the companies' limited ability? At what point do they not have an ability to absorb lost revenue? What percentage of the Delta

revenue?

A. I don't know.

Q. Have you done any studies on this issue?

MR. HAYDEN: Can you specify a little bit more when you say "this issue," please?

MR. POULOS: Sure.

Q. Have you done any studies on the companies' limited ability to absorb such lost Delta revenue?

A. No, I have not.

Q. Have you done analysis on the companies' limited ability to absorb such lost Delta revenues?

A. No, I have not.

Q. Just to make sure I, I can't recall if I did this a couple questions ago, did you do any studies on what amount of lost Delta revenue it would take to jeopardize the companies' financial viability?

A. No, I have not.

Q. Okay. And did you do an analysis on the amount of lost revenue that would jeopardize the companies' financial viability?

A. No, I have not.

Q. Moving down to line 13, "they cannot

absorb the costs of discounts from Commission-approved tariffs." "They" is the companies there, correct?

A. Yes.

Q. Who negotiates the cost -- the discounts in these Commission-approved tariffs? I'm sorry, who absorbs the discounts from the Commission-approved tariffs?

A. The Delta revenue rider recovery process as proposed would be customers.

Q. The customers would negotiate the discounts that they get?

A. No.

Q. And who would they be negotiating with?

A. No, you said "absorb." Who would absorb the discounts.

Q. Oh, I apologize.

Who negotiates the discounts?

A. The Commission would review and approve the discounts.

MR. HAYDEN: Greg, just for clarification, are you talking about the discounts that may exist today or something that would be in the future post-2008?

MR. POULOS: Actually, I'm asking about the past ones, the ones that are in place.

Q. Who has negotiated those?

A. I don't know who negotiated those, but the Commission approved those.

Q. Did the company -- the companies negotiate those?

A. It is my understanding the company would have -- would have been a party to the negotiation.

Q. Going forward who would negotiate those discounts with the customers?

A. It's my understanding in the Senate bill certain customers could ask for discounts without the company or the company could provide a discount application to the Commission of which all would need to be approved by the Commission.

Q. Going down to lines 18 through 21, "Absent recovery of the delta revenue from other customers, who are the beneficiaries of the resultant economic development, there are no other transactions in which the Companies can make up the Delta revenue." In the middle of this you say "who are the beneficiaries of the resultant economic development."

In this sentence who are you referring to as the beneficiaries? Specifically, what customers?

A. One moment, I'm reading my testimony.

Those are customers in general.

Q. So all customers?

A. Customers that benefit from the economic development.

Q. So like for example the residential customers benefit from this economic development.

A. Possibly.

Q. Does the company benefit from the economic development?

A. I don't know.

Q. Who would know the answer to that question?

A. Can you be more specific on how it would benefit?

Q. Is there any benefit?

A. I don't know.

Q. Well, let me go back to that original point. Who are the beneficiaries that result in economic development if the beneficiaries -- what is the benefit that has been created?

A. Economic development are job retention or new customers.

Q. Does FirstEnergy benefit from new customers?

A. How do you mean "benefit"?

Q. I mean benefit in any way. Do they have any benefits from getting new customers?

A. The companies serve customers, so as a utility it serves customers.

Q. So if it has more customers, then it's a benefit to the company -- the companies.

A. If it has more customers, it serves to provide more customers.

Q. So that's your understanding of the only benefit for the company, for FirstEnergy.

A. In your context of new customers.

Q. Yes. So the only benefit for FirstEnergy from getting new customers is it has new customers.

A. Yes. It provides a source to recover its facility costs.

Q. Are there any other advantages to having new customers?

A. Not that I can think of at this time.

Q. Okay. Looking down at lines 21 and 22 on page 11, one of the things that you had stated earlier about one of the concerns that the company did not get complete revenue recovery from the Delta revenue was that it would hinder the companies' ability to undertake significant investment, and the company -- significant investment, the companies have committed to improve the energy delivery system. Do you recall that?

A. Yes.

Q. And could you explain to me how less than full recovery -- revenue recovery of the Delta revenues would hinder the companies' ability to undertake significant investment?

A. Every dollar that's not collected from Delta revenue is a loss to the company.

Q. Is that your answer?

A. Yes.

Q. Has a loss of Delta -- do you know currently what percentage of Delta revenue the company gets on its special contracts?

A. No, I do not.

Q. Are you aware of any effects that the lack of not getting full revenue -- Delta revenue recovery has had on the companies' ability to undertake significant investments in the past?

MR. HAYDEN: Can you please repeat that

question?

Q. Sure. Let me reword it. Mr. Hussing, are you aware of any problems the company has had in undertaking significant investment in the companies' ability to improve the energy delivery system because it has not gotten full Delta revenue recovery in the past?

A. I'm not aware of any specific project.

Q. You also stated a moment ago that every dollar the company does not get from revenue recovery affects the significant investments. Do you recall that?

A. Yes.

Q. So even if a small percentage of revenue recovery, Delta revenue recovery, was not -- or, strike that.

Even if the company was not to get complete Delta revenue recovery, only a large percentage, that would have a significant effect on the result of the company to improve the energy delivery system?

A. That would have an effect in that the company would lose money on every transaction -- on every transaction of which it would have to make up otherwise.

Q. Okay. Could I have you turn to your workpapers, in this case your workpaper which is Schedule 5n, as in Nancy.

A. Okay.

Q. Looking at this workpaper, did you draft this workpaper?

A. Under my direction it was drafted.

Q. If you look in the category C on the top part, the $293,054 and the 5,728,979; do you see those numbers?

A. Yes.

Q. What do those four columns, those four negative numbers, the 293,000, the 5 million, the 17 million, and the 54 million, where did you get those numbers from?

A. The projected numbers of Delta revenue associated with the CEI contracts for 2009.

Q. Those are the contracts that are currently in existence?

A. Yes.

Q. Are you aware if you've submitted -- if OCC has had an opportunity to see those contracts?

A. I do not know if OCC has seen those

contracts.

MR. POULOS: Mark, can we get a copy of those contracts?

MR. HAYDEN: You can have a copy to the extent that it's publicly available. Actually, they're all publicly available best of my knowledge. They're all in the Commission's docket.

MR. POULOS: Okay. Thank you. And are there any that wouldn't be publicly available?

MR. HAYDEN: I don't know of any.

MR. POULOS: Okay.

Q. (By Mr. Poulos) I notice, Mr. Hussing, that if you look at the top chart and then go down to the bottom chart, the number of annual kilowatt-hour sales is the same, but the Delta revenue in column C has gone up. Shouldn't there -- in the second column, the one for 2010, shouldn't the annual kilowatt-hour sales go up?

A. The workpaper as filed and as the schedules -- Schedule 1s, the '9, '10, and '11 kilowatt-hours, the billing units would remain the same to see the effect of the riders and the generation increase.

Q. Okay. There's a note on the bottom, B, "Excludes CEI contract billing units." What does that mean?

A. Those exclude the kilowatt-hours associated with the CEI contracts.

Q. Okay. And there's only two years. Is there a reason there's only 2009 and 2010?

A. The contracts expire in 2010.

Q. So the company has no contracts that go into 2011?

A. Yeah, they're not proposing Delta revenue in 2011 with the existing CEI contracts.

Q. Okay. I am almost done. I think we just lost somebody. I did want to turn back to the economic development rider, page 9 of your testimony.

A. Yes.

Q. On page 9, line 5 through 8 for now I want to focus. "Therefore, charges associated with this effort are social costs benefiting all customers." I want you to -- do you understand what that's saying right there?

A. Which page again?

Q. Page 9, the economic development rider.

A. Yes.

Q. It talks about the social costs

benefiting all customers.

A. Yes.

Q. Do those social costs also benefit the company?

A. This is a social cost that's benefiting customers through rate mitigation.

Q. Is there any benefit to the company of the rate mitigation?

A. It's a revenue neutral rate design, so there would be no revenue benefit.

Q. The charges would be extra costs to most customers, correct?

A. The charges are for GS and GP customers.

Q. What were the two customer classes?

A. GS and GP.

Q. GS, okay.

MR. POULOS: Mark, give me a couple minutes, I may be done.

MR. HAYDEN: Okay.

MR. POULOS: Give me about two minutes to go through my stuff real quick.

MR. HAYDEN: Okay.

Q. Mr. Hussing?

A. Yes.

Q. I have one more question for you. Going back to the Delta revenue recovery rider, page 11 and 12 of your testimony in general, have you had discussions with the staff of the Public Utilities Commission of Ohio regarding this testimony?

A. No.

Q. Regarding any aspect of this testimony?

A. No.

MR. POULOS: I have no further questions. I appreciate your time and your patience. I give the floor to whoever's next.

MR. HAYDEN: Okay. Brett, do you want to go?

MR. BREITSCHWERDT: Sure.

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EXAMINATION

By Mr. Breitschwerdt:

Q. Good evening, Mr. Hussing. My name is Brett Breitschwerdt. I have a few questions for you first on behalf of the Ohio Schools Council and then on behalf of NOPEC.

I want to start out on page 5 of your testimony. You had a discussion earlier with Mr. Petricoff about incorporating the concept of gradualism in the rate design, that was one of the two main considerations that you incorporated, and you said that you incorporated it in order to accomplish the objectives of mitigating significant customer impacts.

Now, just if you could reexplain how the companies have attempted to mitigate the significant customer impacts within the electric security plan.

A. The customer impacts are located in the economic development rider and it's also phasing in its generation price.

Q. Have the companies made any proposal within the ESP to mitigate the rate impacts of the plan on the public school customer class?

A. The economic development rider doesn't specifically address schools.

Q. But potentially they -- I'm sorry.

A. The schools could -- are taking advantage of the phase-in.

Q. Before I interrupted were you going to say that the schools potentially could apply for the economic development rider as well?

A. No.

Q. They cannot.

The first consideration that you reference on page 5 in creating the rate design is the rate classifications for the companies' distribution case, case number 07-751, and in that case the schools were actively involved in litigating the issue of the impact on the schools, and my question is, why did the companies decide not to establish a credit rider for the schools such as the business distribution credit rider the company has proposed in their distribution case?

MR. HAYDEN: Objection. Answer if you can.

A. Can you rephrase the question?

Q. Sure. Why did the companies decide not to establish a credit rider for the schools such as the business distribution credit rider proposed in the companies' distribution case?

A. It provided the economic development rider as a rate mitigation tool for those classes or customers that it -- that I observed needed some mitigation.

Q. And this is what we discussed earlier when you were talking to Mr. Petricoff about how gradualism would be applied and what a significant impact would be; is that correct?

A. Yes.

Q. And can you explain to me why you didn't determine that the rate increase impact on the public school customer class was not a significant customer impact?

A. I looked at the rate classes that we have under the eight standard rate schedules including nonstandard residential customers and that's what I used as my basis.

Q. So in doing so what criteria did you assess when you compared the schools to other rate classes, or other customers on other rate schedules or within the same rate schedule?

A. Schools are not separated out but they are comprised in the general service schedule, in the general service primary schedule, and general service sub-transmission schedule.

Q. I understand that. But in your analysis did you specifically analyze the impact of the rate increase on schools as compared to other customers?

A. I did not specifically analyze the rate impact on schools.

Q. So with this, the utilization of the

gradual approach or using gradualism in order to accomplish the object of mitigating significant customer impacts, you didn't specifically analyze the rate impact on the schools as a customer class.

A. No, I did not.

Q. Returning to page 5, the last sentence says that "Furthermore, it is desirable from this perspective of economic stability to proactively address issues of disproportionate rate impact typically felt by those customers previously served on tariffs below average rate."

What did you mean by "the perspective of economic stability" in this sentence?

A. Economic stability in the sense that the mitigation of rate changes helps support economic stability.

Q. Okay. I didn't understand your answer because you used the same phrase, economic stability. I'm trying to understand what you meant by that phrase.

A. The impact of rate changes.

Q. So the impact of rate changes meaning that customers are having to pay higher rates and that those higher rates impact economic stability; is

that an accurate --
A. Yes.
Q. -- assessment of your -- okay. Does a service provided by public schools of educating the region and the state's school children contribute to your understanding of promoting economic stability?
A. I don't know.
Q. You would agree that there's a benefit that's connected to economic stability of education.
A. Can you rephrase that question?
Q. Sure. My question is related to your testimony, you suggest that the district -- there's a disproportionate -- excuse me. If you could strike that.
There's a disproportionate rate impact typically -- sorry. Excuse me. If you could strike that.
My question relates to the contribution of schools to economic stability and how -- and whether the companies perceive there's a benefit from that that you were trying to -- that you considered in your testimony.
A. I did not consider the economic benefit of schools.

Q. Okay. Continuing on in this sentence, you mention that the purpose is "to proactively address issues of disproportionate rate impact typically felt by those customers previously served on tariffs with below average rates." What do you mean by "below average rates"?

A. Below average rates is a general term that when I looked at the comparisons of the class schedules, the percent increase would be larger for those customers that had lower average rates.

Q. Okay. Would you agree with me the public school districts have been on schedules that have paid below-average rates, these being the current large school and small school tariff rates in the past in the CEI and Toledo Edison territories?

MR. HAYDEN: Objection.

A. Could you rephrase the question?

Q. Sure. Would you agree with me that the public school districts have paid below-average rates in the current large school and small school tariffs within the CEI and Toledo Edison service territories?

A. In comparison to what?

Q. To your explanation a moment ago of what was the average rates.

A. When I looked at the rate schedules, I looked at the rate schedules in the -- on the proposed rates and the aggregate on the eight schedules and that was my comparison tool. Those customers that had -- those customer classes or groups that had larger increases are those ones that had lower average rates. I did not look at it on a customer or individual rate schedule basis.

Q. In preparing the electric security plan filing has FirstEnergy or any of the companies specifically performed an analysis of the plan's potential rate impact on school districts served on the Energy for Education program?

A. Proposed in this case?

Q. Correct.

A. No.

Q. In preparing the electric security plan filing has FirstEnergy or any of the companies performed an analysis of the rate impact upon public school districts of discontinuing the currently available small school and large school distribution rate schedules for CEI and Toledo Edison?

A. Can you say that one more time?

Q. Sure. In preparing the electric security plan filing has the company performed any analysis of the rate impact upon public school districts of discontinuing the currently available small school and large school distribution rate schedules for Toledo Edison and Cleveland Electric Illuminating companies?

A. It has provided a typical bills analysis.

Q. And what did that entail?

A. A by current rate schedule to proposed rate schedule analysis at various usage levels.

Q. But nothing specific to schools.

A. That's correct.

Q. Okay. Have the companies performed an analysis of potential rate impact upon school districts of any of the proposed riders within the electric security plan?

A. Can you repeat the question?

Q. Sure. Have the companies performed an analysis of potential rate impact upon public school districts of any of the proposed riders that would be applicable within the electric security plan?

A. Once again, the typical bill analysis shows the current rates to proposed rates.

Q. Has there been any additional analysis --

A. No.

Q. -- besides that?

Mr. Hussing, are you familiar with the Energy for Education II program currently provided to public school districts within the Ohio Schools Council currently provided by the companies?

A. I'm aware of the program.

Q. Okay. To your knowledge, has FirstEnergy performed any analysis of the rate impact upon school accounts for the discontinuation of the currently available Energy for Education II program?

MR. HAYDEN: Objection; it's not even part of this filing.

A. Once again, the companies have provided typical bill analysis that show current to proposed bills.

Q. But they haven't done any specific analysis, to your knowledge, relating to the Energy for Education program.

A. No.

Q. Okay. Have the companies completed any analysis of public school districts' ability to absorb the rate increases preposed by the companies in this case?

A. Can you repeat the question?

Q. Sure. Have the companies completed any analysis of public school districts' ability to absorb the rate increases proposed by the companies in this case?

A. No.

Q. If you could turn to page 12, line 13 of your testimony where the rider NDU is discussed? This rider is proposed to be nonbypassable to customers of government aggregation; is that correct?

A. Yes.

Q. And the rider does not propose to purchase the receivables or the uncollectible expenses of the CRES supplier of a governmental aggregation?

A. Can you repeat the question?

Q. Sure. The rider, rider NDU discussed on pages 12 and 13, does not propose to purchase the receivables or uncollectible expenses of a CRES supplier of a governmental aggregation.

A. That is correct.

Q. It's your understanding and you would accept that a CRES supplier similar to the companies will also have uncollectible expenses?

A. Yes.

Q. And so customers of governmental aggregation will have to pay both FirstEnergy's uncollectible expenses and those of the CRES supplier if they choose to take service through the governmental aggregation.

A. Can you repeat the question?

Q. Sure. Customers of a governmental aggregation will have to pay both the FirstEnergy's uncollectible expenses and those of the CRES supplier that the governmental aggregation contracts with if they choose to take service through the governmental aggregation.

A. The companies' proposing a nonbypassable rider to collect uncollect -- collect its uncollectible portion through all customers, its nondistribution uncollectibles through all customers.

Q. Right. So if a customer is taking service from a government aggregation, they would have to pay that uncollectible expense rider, rider NDU.

A. The customer would pay the -- if a shopped customer is going to pay the expenses associated with the provisions of the supplier as well as the provisions of this rider.

Q. Right. So does recovery of uncollectibles by the utility and not by the CRES supplier of the governmental aggregation create a competitive advantage to the utility?

Would you like me to specify where I was going with that?

A. I don't understand what you mean by "competitive advantage."

Q. Well, a competitive advantage in that because CRES customers will be paying for both the companies' and the CRES's uncollectible expenses if they choose to seek generation -- or, to take service from the governmental aggregation, that they will essentially be paying that fee twice.

A. No, the company is seeking to recover the uncollectibles expenses associated with customers that are at risk and that, you know, all customers -- that's a social cost that all customers should bear.

Q. But you don't -- I'm sorry.

A. I'm done.

Q. Were you finished?

A. Yeah.

Q. I apologize if I interrupted you.

But you don't agree that the uncollectible expenses of the CRES providers are social costs that all customers should bear.

A. The uncollectibles associated, if there is any associated with a CRES supplier, is limited by the ability of the CRES supplier to have credit policies and termination of its contracts pursuant to its own terms where the utility's credit -- or its uncollectibles are borne by state policy and by the terms of being the provider of last resort. It can't pick and choose its customers.

Q. So if the state made it state policy, I'm going to refer you to Ohio Revised Code 4928.20(K), I can provide you with a copy if you'd like to see it, but I'll just read it, it says, "The Commission shall adopt rules to encourage and promote large-scale governmental aggregation in this state. For that purpose, the commission shall conduct an immediate review of any rules it has adopted for the purpose of this section that are in effect on the effective date of the amendment of this section by SB 221."

So if the Commission made it state policy for the uncollectible expenses of the governmental aggregation's CRES supplier to be collected, would rider NDU be a vehicle through which those expenses could be collected?

MR. HAYDEN: Objection.

A. That's a hypothetical which I don't know the answer to.

Q. So the construction of rider NDU could not be used to similarly collect the uncollectible expenses of a governmental aggregation's CRES supplier?

A. The company is not proposing this rider to collect CRES supplier uncollectibles.

Q. I understand that. But is it feasible to do so based on the construction of this rider if it became state policy similar to your argument that it's -- or your testimony that it's state policy to collect the companies' uncollectible expenses?

A. I can't speak to the feasibility of something that doesn't exist.

Q. Okay.

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

MR. HAYDEN: Does anybody else -- I know we hadn't planned on going any further. I assume nobody else who's still on the line has questions and that the remaining questions will be posed to Mr. Hussing on Friday at 9 a.m. Is anybody else still on?

MR. STINSON: This is Dane Stinson. I'm still on. I'll take it up at 9 on Friday.

MR. HAYDEN: Okay.

MS. McALISTER: Yeah, this is Lisa McAlister. Is there any way we can start at 9:30?

MR. POULOS: That's fine with OCC.

MR. STINSON: Fine here.

MR. MILLER: This is Chris Miller for Cleveland. Yeah, we're fine waiting until 9:30 on Friday.

MR. LAVANGA: That's okay, for Nucor.

MR. POULOS: Mark, how is that for FE?

MR. HAYDEN: That's fine. I'll go ahead and send out a subsequent e-mail probably tonight or tomorrow morning and indicate we'll start at 9:30 on Friday morning.

Can we go off the record, please?

(The deposition adjourned at 7:27 p.m.)

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State of Ohio :
: SS:
County of ____________________ :

I, Gregory F. Hussing, do hereby certify that I have read the foregoing transcript of my deposition given on Tuesday, September 23, 2008; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

____
Gregory F. Hussing

I do hereby certify that the foregoing transcript of the deposition of Gregory F. Hussing 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 __________________, ________.

- - -

CERTIFICATE

State of Ohio :
: SS:
County of Franklin :

I, Maria DiPaolo Jones, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Gregory F. Hussing 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 25th day of September, 2008.

Maria DiPaolo Jones

Maria DiPaolo Jones, Registered
Diplomate Reporter, CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2011.

(MDJ-3262C)

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