




BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Authority to )  
Establish a Standard Service Offer )  
Pursuant to § 4928.143, Ohio Rev. Code, )  
in the Form of an Electric Security Plan. )

Case Nos. 11-346-EL-SSO  
11-348-EL-SSO

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In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Approval of )  
Certain Accounting Authority. )

Case Nos. 11-349-EL-AAM  
11-350-EL-AAM

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**FIRSTENERGY SOLUTIONS CORP.'S  
NOTICE OF FILING DEPOSITION TRANSCRIPTS**

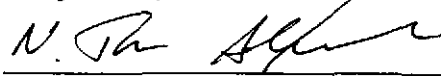
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FirstEnergy Solutions Corp. ("FES"), pursuant to O.A.C. 4901-1-24, hereby provides notice to all parties that it is filing the following deposition transcripts:

- Exhibit A- Thomas S. Lyle
- Exhibit B- Laura J. Thomas (non-confidential portion only, confidential portion filed under seal with FES Motion for Protective Order)
- Exhibit C- Anil K. Makhija
- Exhibit D- Chantale LaCasse
- Exhibit E- Joseph Hamrock
- Exhibit F- Stephen J. Baron
- Exhibit G- Philip J. Nelson
- Exhibit H- David Rousch ✓

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Respectfully submitted,



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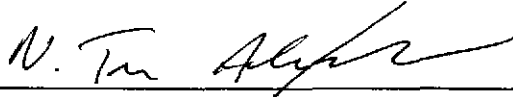
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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *FirstEnergy Solutions Corp.'s Notice of Filing Deposition Transcripts* was served this 29<sup>th</sup> day of August, 2011, via e-mail upon the parties below.



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## BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :  
 Application of Columbus :  
 Southern Power Company :  
 and Ohio Power Company :  
 for Authority to Establish :  
 a Standard Service Offer : Case No. 11-346-EL-SSO  
 Pursuant to §4928.143, : Case No. 11-348-EL-SSO  
 Ohio Rev. Code, In the :  
 Form of an Electric :  
 Security Plan. :

In the Matter of the :  
 Application of Columbus :  
 Southern Power Company : Case No. 11-349-EL-AAM  
 and Ohio Power Company : Case No. 11-350-EL-AAM  
 for Approval of Certain :  
 Accounting Authority. :

## DEPOSITION

of David M. Roush, taken before me, Maria DiPaolo  
 Jones, a Notary Public in and for the State of Ohio,  
 at the offices of Porter, Wright, Morris & Arthur,  
 LLP, 41 South High Street, Columbus, Ohio, on Friday,  
 August 5, 2011, at 2:00 p.m.

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- 11 Mr. Anthony Yankel.
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1 Friday Afternoon Session,  
2 August 5, 2011.  
3 ---  
4 MR. LANG: This is Jim Lang from Calfee,  
5 Halter and Griswold representing FirstEnergy  
6 Solutions. I have Mark Hayden with me. If we could  
7 have the other folks here identify themselves then we  
8 can find out who's on the phone.  
9 Why don't you go ahead, Terry.  
10 MR. ETTER: Terry Etter with the OCC.  
11 MS. McALISTER: Lisa McAlister on behalf  
12 of OMA Energy Group.  
13 MS. KALEPS-CLARK: Lija Kaleps-Clark on  
14 behalf of Compete Coalition, P3, Exelon, RESA,  
15 Constellation. I think I got them all.  
16 MR. LANG: You do that much better than  
17 Howard.  
18 MR. POULOS: And Greg Poulos with  
19 EnerNOC.  
20 MR. SATTERWHITE: Matt Satterwhite on  
21 behalf of the companies.  
22 MR. LANG: And who do we have on the  
23 phone?  
24 MR. KRAVITZ: For Kroger Company Zach

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1 Kravitz with Chester, Willcox & Saxbe.  
2 MS. HAND: This is Emma Hand representing  
3 Ormet.  
4 MR. DARR: Frank Darr, IEU.  
5 MR. SINENENG: Philip Sineneng, Thompson  
6 Hine on behalf of Duke Energy Retail.  
7 MR. ARAGONA: Arin Aragona. I'm  
8 representing Exelon Generation.  
9 MS. TURKENTON: Tami Turkenton, staff.  
10 MR. SATTERWHITE: Hi, Tami.  
11 MR. LANG: Hey, Tami.  
12 MS. TURKENTON: Hello.  
13 MR. LANG: All right. Sound like  
14 everyone. If you can swear in the witness, we'll get  
15 started.  
16 ---  
17 DAVID M. ROUSH  
18 being by me first duly sworn, as hereinafter  
19 certified, deposes and says as follows:  
20 EXAMINATION  
21 By Mr. Lang  
22 Q. Mr. Roush, good afternoon.  
23 A. Good afternoon.  
24 MR. SATTERWHITE: I think someone just

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1 joined.  
2 MR. LANG: Did someone just join?  
3 MR. YANKEL: Yeah. Tony Yankel.  
4 MR. LANG: Hi, Tony.  
5 Q. Have you had your deposition taken  
6 before?  
7 A. Yes, I have.  
8 Q. Can you, to the extent that you remember,  
9 state in which cases you've had your deposition  
10 taken.  
11 A. I believe in the last -- the company's  
12 last ESP proceeding and a couple other times that I  
13 don't remember.  
14 Q. Okay. That's very fair. I'll be asking  
15 you a series of questions. If I ask you a question  
16 that you do not understand, will you agree to please  
17 tell me you do not understand? Will you do that for  
18 us?  
19 A. Sure.  
20 Q. Also, in the transcript we want to avoid  
21 non-English words like "uh-huh" and "huh-uh," which I  
22 say just because I enjoy seeing them in the  
23 transcript. So, you know, to the extent that the  
24 answer is yes or no, please use "yes" or "no" as

2 (Pages 5 to 8)



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1 opposed to those other shorthand and that way it will  
 2 all be clear in the transcript, all right?  
 3 A. Okay.  
 4 Q. Actually, I want to just start with you  
 5 going backwards. In your supplemental testimony you  
 6 have the calculation of the generation resource rider  
 7 which is Exhibit DMR-8.  
 8 A. Okay. I'm there.  
 9 Q. Could you just explain generally what  
 10 you're doing on this Exhibit DMR-8?  
 11 A. Sure. Probably the best way to explain  
 12 it is to go back to my supplemental testimony. And  
 13 basically in calculating the GRR rate I go through,  
 14 starting at page 2, line 16 through page 3, line 5,  
 15 basically the GRR rates have been designed to  
 16 allocate GRR costs in proportion to AEP-Ohio's base  
 17 generation rates. A preliminary per kilowatt-hour  
 18 rate is then computed for each class.  
 19 And then those preliminary GRR rates are  
 20 then scaled down to reflect that the rate will apply  
 21 to all metered kilowatt-hours, not just  
 22 kilowatt-hours for customers receiving standard offer  
 23 service from the company.  
 24 Q. So on line 5 of this exhibit, DMR-8,

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1 there's a total revenue requirement of 8,579,000. Is  
 2 that from Mr. Nelson's supplemental testimony?  
 3 A. That's correct.  
 4 Q. And then that total revenue requirement  
 5 is allocated to the classes shown using the ratio of  
 6 base generation revenue by class; is that correct?  
 7 A. That is correct.  
 8 Q. Is the revenue requirement that is shown  
 9 on line 5, that total revenue requirement, is that  
 10 for the entire period of the proposed ESP?  
 11 A. That is the 2013 revenue requirement.  
 12 Q. Will that revenue requirement increase in  
 13 2014 and again in 2015?  
 14 A. I'm not sure. That's probably better to  
 15 ask Witness Nelson.  
 16 Q. In calculating the generation resource  
 17 rider did you calculate the revenue requirement for  
 18 the months in 2014 that are part of the ESP period?  
 19 A. I did not compute the revenue  
 20 requirement, Witness Nelson did, and I don't know  
 21 whether he calculated 2014 or not.  
 22 Q. All right. So in terms of taking that  
 23 revenue requirement and turning it into rates for  
 24 2014, that's something you did not do.

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1 A. No, I did not.  
 2 Q. Do you know whether the revenue  
 3 requirement stays constant for the life of the  
 4 Turning Point project?  
 5 A. I don't know. It's better asked to  
 6 Witness Nelson.  
 7 Q. So have you not reviewed Mr. Nelson's  
 8 calculations of the revenue requirement for the  
 9 Turning Point project other than identifying the  
 10 revenue requirement for year 2013?  
 11 A. That's the only calculation I reviewed is  
 12 this calculation for 2013. I don't know if he has  
 13 one for the other periods.  
 14 Q. Do you know whether AEP is requesting  
 15 revenue -- let me start that question again.  
 16 Do you know whether AEP-Ohio is asking  
 17 the Commission to approve revenue recovery for the  
 18 life of the Turning Point project as part of the  
 19 proposed ESP?  
 20 THE WITNESS: Could you read the question  
 21 back, please? I'm sorry.  
 22 (Record read.)  
 23 A. I don't know. I know we are requesting  
 24 approval of the Turning Point project. I'm not sure

Page 12

1 if we're requesting approval of revenue recovery  
 2 beyond the term of the ESP.  
 3 Q. If the Commission approves the Turning  
 4 Point project and approves the generation resource  
 5 rider, do you know whether that will include a rate  
 6 for 2014?  
 7 A. At the time of approval no, because the  
 8 numbers even presented in my Exhibit DMR-8 are an  
 9 estimate is my understanding.  
 10 Q. Is the expectation that the costs of the  
 11 Turning Point project will be reviewed annually by  
 12 the Commission for purposes of collecting those costs  
 13 through the generation resource rider?  
 14 A. I know that at page 3 of my testimony,  
 15 the question starting on line 6, that we're proposing  
 16 that there will be a annual review of the actual  
 17 collections and actual costs to determine over or  
 18 underrecovery for computation of the rider. That's  
 19 what I know.  
 20 Q. Now, you said that for 2013 what you  
 21 provided is an estimate. How could this estimate  
 22 change for purposes of what the actual rates could  
 23 end up being in 2013 for the generation resource  
 24 rider?

3 (Pages 9 to 12)

Page 13

1 A. I don't know.

2 Q. Is it your understanding that the revenue  
3 requirement you received from Mr. Nelson would  
4 change?

5 A. My understanding is that what I got from  
6 Mr. Nelson is an estimate, so . . .

7 Q. In addition to that revenue requirement  
8 estimate do you know whether there are other costs  
9 that could be included in the generation resource  
10 rider?

11 A. My understanding is to the extent there  
12 were other projects approved, that those could also  
13 be included in the generation resource rider.

14 Q. Okay. Do you know whether there are  
15 other costs related to the Turning Point project  
16 specifically that could be included?

17 A. I don't know.

18 Q. For a shopping customer, a customer who's  
19 shopping during the term of the proposed ESP, what is  
20 the rate that the shopping customer pays under the  
21 GRR?

22 A. As shown in Deposition Exhibit DMR-8 the  
23 rate is basically the rate as shown, the same.

24 Q. So if I'm a shopping customer, you know,

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1 if I'm a shopping residential customer, my GRR rate  
2 would be what's shown in the Residential column?

3 A. Yes. That's correct.

4 Q. I understand there's also GS-3 and GS-4  
5 rate classes. Why are they not included in this  
6 calculation?

7 A. This calculation is based on the  
8 company's proposal in the ESP where the GS-2, GS-3,  
9 GS-4 rate classes are consolidated into GS-2.

10 Q. And do these estimated rates also depend  
11 on completion of the mergers that we're talking  
12 about, AEP instead of the individual companies?

13 A. What's presented on Exhibit DMR-8 is a  
14 merged view, but the information is there to compute  
15 values separately for each, other than the split of  
16 the revenue requirement between the two companies.

17 Q. If I'm a shopping customer that would  
18 otherwise fall into, say, the GS-1 rate class, the  
19 portion of the Turning Point project -- let me try to  
20 start that over.

21 If I'm a shopping customer that would  
22 fall into the GS-1 rate class, the generation  
23 resource rider rate that I'm paying is based on the  
24 base generation revenue by class that AEP-Ohio

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1 receives, you know, receives from these various rate  
2 classes; is that correct?

3 A. Not exactly. Basically, the calculation  
4 that's shown on -- the conversion that's done to come  
5 up with the proposed GRR rate accounts for the  
6 difference between the total load versus the shopping  
7 load. As we were discussing earlier, you know, the  
8 values shown in line 5 are allocated based on base  
9 generation revenue by class which, as you correctly  
10 noted, does not include any revenue for shopping  
11 customers.

12 We unitized the rate to come up with a  
13 preliminary rate on line 9 based on energy excluding  
14 shopping customers and that comes with, for  
15 residential, a preliminary rate of 2697. We then  
16 scale that rate down to end up with the resultant  
17 rate of .02500 to reflect the fact that the rider  
18 applies to both shopping and nonshopping.

19 Q. So I think you helped me out with my  
20 poorly-phrased question. At lines 1 through 4 in  
21 this exhibit, that allocation percentage, that's  
22 standard service offer customers only, it's not  
23 shopping.

24 A. That's correct.

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1 Q. Do you know what the actual costs are  
2 that are being recovered through the generation  
3 resource rider related to the Turning Point project?

4 A. I'm not sure I understand the question.

5 Q. Well, the GRR is intended to recover the  
6 actual costs of the Turning Point project, correct?

7 A. Yes, that's correct.

8 Q. So what are those actual costs?

9 A. It's probably better asked of Witness  
10 Nelson, but generally my understanding is a portion  
11 of it is the lease cost and then there's some other  
12 costs as well, but I don't know all the specifics.

13 Q. With regard to the other costs that are  
14 not lease costs, do you know what those might be?

15 A. No.

16 Q. Okay. That's all I want to ask you about  
17 that one. We can go back one exhibit to DMR-7.  
18 Exhibit DMR-7 which was part of your testimony filed  
19 in January, is that the projection of the rate impact  
20 of the ESP by rate schedule?

21 A. It's basically a typical bill calculation  
22 for 2013 based on those items which I had a rate for  
23 to do a calculation.

24 Q. In columns (C) and (D), I think on every

4 (Pages 13 to 16)

Page 17

1 page of DMR-7, it refers to a total bill, either a  
2 current total bill or a proposed total bill. What  
3 are the pricing components that you're including in  
4 the total bill?

5 A. In the total bill in both instances it  
6 would be any standard service offer generation  
7 charges, transmission charges, and all other riders  
8 for which I had values for. Did I leave out  
9 distribution charges? I did fail to mention those?  
10 Distribution charges as well.

11 Q. Okay. So when you say "total," it's  
12 total, it's distribution, generation, transmission,  
13 to the extent that you have values.

14 A. Yes. Generation, transmission,  
15 distribution, and riders, to the extent I have values  
16 for those.

17 Q. And does this assume that distribution  
18 and transmission remains constant?

19 A. Yes. It assumes the current, the most  
20 recently available transmission and distribution  
21 rates.

22 Q. Is this the rate impact for 2012 only?  
23 Let me ask you that, is this the rate impact for 2012  
24 only?

Page 18

1 A. Yes, and thank you. I think earlier I  
2 said "2013" instead of 2012. It is 2012.

3 Q. Is there elsewhere where I could find  
4 what the projected impact is for 2013 and for the  
5 months of 2014 that are part of the ESP period?

6 A. Yes. They were provided in response to a  
7 discovery request from the Commission staff. I  
8 believe it was in their -- let me double-check.

9 It was in their second set of discovery  
10 to us.

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

12 A. It's in staff's second set of discovery,  
13 interrogatory No. 3.

14 Q. Okay. So that rate impact for 2013 and  
15 2014, however, was not what you filed in January,  
16 correct?

17 A. No.

18 Q. When you prepared your testimony in  
19 January, were you asked to show the rate impact for  
20 all terms, for all months of the ESP?

21 A. No. I wasn't asked really to do the rate  
22 impacts at all. That's just something that I  
23 normally do as part of my testimony. I think I did  
24 provide a thousand kilowatt-hour customer for 2012 to

Page 19

1 Mr. Hamrock.

2 Q. Does the discovery response that you  
3 provided to staff in response to staff's second set  
4 of request No. 3, does that reflect the rate  
5 increases included in the ESP for years 2013 and  
6 2014?

7 A. Yes. It includes the base generation,  
8 the standard service offer generation rate increases  
9 for 2013 and '14 that were requested.

10 Q. What pricing components of the ESP  
11 generation charges does your analysis include? You  
12 said the base generation rate. What other pricing  
13 components does it include?

14 A. It would include fuel, obviously, the  
15 FAC, standard service offer generation, fuel,  
16 environmental investment carrying charge rider's  
17 included, and there's actually another discovery  
18 question, it's staff's second set, that kind of  
19 nicely lays it out. Staff's second set,  
20 interrogatory No. 5 kind of lays out all of the items  
21 that are included in the current and proposed typical  
22 bills. It's a fairly lengthy list.

23 Q. Okay. Does it include the impact of the  
24 GRR rider?

Page 20

1 A. No, it does not. At that time -- at the  
2 time of the January filing we hadn't computed a GRR  
3 rate.

4 Q. And that's -- the purpose of your  
5 supplemental testimony is to show somewhat the impact  
6 of the GRR rider; is that correct?

7 A. That's correct, for 2013.

8 Q. For 2013. Does Exhibit DMR-7 include the  
9 impact of the FCCR rider?

10 A. No, it does not.

11 Q. Does it include the impact of the AER  
12 rider?

13 A. To the extent that the AER includes items  
14 that are being relocated out of the FAC because it  
15 has the full cost 2011 FAC value in it, it would have  
16 those costs.

17 Q. Okay. So it would reflect the AER to the  
18 extent that it includes existing costs that are part  
19 of the FAC now, but new renewable cost additions to  
20 the AER would not be reflected in here; is that  
21 right?

22 A. That's correct.

23 Q. Does this include the impact of the  
24 PIR -- PIRR?

5 (Pages 17 to 20)

Page 21

1 A. It does include the phase-in recovery  
 2 rider.  
 3 Q. Does it include the generation NERCR  
 4 rider?  
 5 A. No, it does not.  
 6 Q. How about the CCSR?  
 7 A. No, it doesn't include the carbon capture  
 8 and sequestration rider.  
 9 Q. Does it include the DIR?  
 10 A. No, it does not.  
 11 Q. With regard to the FCCR, the NERCR, and  
 12 the CCSR riders, have you prepared any estimates of  
 13 the costs that would be recovered by those riders  
 14 during the time period of the ESP?  
 15 A. I have not.  
 16 Q. Do you know if any of the other AEP-Ohio  
 17 witnesses have done so?  
 18 A. I don't know. At the time of the filing  
 19 I can say no because if I had it available, I would  
 20 have included it in the typical bill calculations.  
 21 Q. Was there any -- did you ask any of the  
 22 other AEP-Ohio witnesses or anyone else at AEP-Ohio  
 23 for estimates of the costs that were expected to flow  
 24 into those riders?

Page 22

1 A. Back in January I would have asked  
 2 whether we had information that I could include in my  
 3 typical bill calculations. Since that time I have  
 4 not.  
 5 Q. Okay. And when you asked in January, who  
 6 did you ask?  
 7 A. Would generally have been, I believe, for  
 8 those items Witness Thomas and Witness Nelson.  
 9 Q. And what was the answer?  
 10 A. My recollection is they did not have  
 11 estimates that they could give me to include to  
 12 calculate a rate.  
 13 Q. Did you ask them if they could prepare  
 14 those estimates?  
 15 A. I don't recall asking them that.  
 16 Q. I want to ask you a few questions with  
 17 regard to the switching rules that you reference in  
 18 your testimony. Am I correct that -- this is  
 19 interesting. Let me start off with a different  
 20 question.  
 21 You had, in referring to DMR-8 which  
 22 includes GS-1 and GS-2 rate classes, you had -- did  
 23 you indicate that in the proposed ESP those would be  
 24 the only GS rate classes; GS-3 and GS-4 would

Page 23

1 continue forward?  
 2 A. That's correct, from a generation  
 3 standpoint, yes.  
 4 Q. Under the tariffs filed with the proposed  
 5 ESP there are, you know, there's provisions for GS-2,  
 6 GS-3, and GS-4. Are the GS-3 and GS-4 provisions  
 7 being eliminated?  
 8 A. They cannot entirely be because of the  
 9 fact they also include distribution rates. So the  
 10 generation related rates are the same for GS-2, 3,  
 11 and 4. In the company's distribution case the  
 12 distribution rates are being consolidated as well.  
 13 Q. So is it possible that a customer could  
 14 be a GS-4 customer for distribution purposes and a  
 15 GS-2 customer for generation purposes?  
 16 A. It's possible depending upon the outcome  
 17 of both of these proceedings which are kind of  
 18 proceeding simultaneously, yes.  
 19 Q. A GS-2 customer must provide 90 days'  
 20 notice before switching to a CRES provider; is that  
 21 correct?  
 22 A. That's correct.  
 23 Q. What is the purpose of that requirement  
 24 that they provide 90 days' notice?

Page 24

1 A. It's been -- that provision's been in  
 2 place so I'm not sure I recall the reasons for that  
 3 provision.  
 4 Q. Do you know, has that provision been  
 5 included in the tariffs since the beginning of at  
 6 least the opportunity for competitive shopping going  
 7 back to 2001?  
 8 A. I believe so, but I'm not a hundred  
 9 percent certain. I know there were also some kind of  
 10 generic proceedings regarding switching rules and  
 11 that kind of thing that came along a little bit after  
 12 the original tariffs were put into place, so I'm not  
 13 certain of the exact timing.  
 14 Q. Do you know what it means that AEP has  
 15 made a fixed resource requirement election to supply  
 16 capacity?  
 17 A. Generally, yes.  
 18 Q. And AEP has done that, made that fixed  
 19 resource requirement election, for the term of the  
 20 proposed ESP, correct?  
 21 A. Yes. That's correct.  
 22 Q. If a customer on the GS schedule shops  
 23 with a CRES provider, AEP will continue to supply  
 24 capacity associated with that customer's load under

6 (Pages 21 to 24)

Page 25

1 the FRR election, correct?

2 A. That's my understanding, yes.

3 Q. So would you agree that the 90 days'  
4 notice does not affect the provision of capacity in  
5 any manner?

6 A. I can't think of a way in which it would  
7 impact that at the moment, but I can't guarantee it  
8 doesn't in any manner.

9 Q. So to the extent that it may impact that,  
10 you can't think of how it would.

11 A. Not at this time I can't think of  
12 something.

13 Q. For the time that we've been discussing  
14 this have you -- has it helped you in any way  
15 remember why that 90 days' notice provision is in the  
16 tariff?

17 A. Not really.

18 Q. I believe it also states in the tariff  
19 that if the customer provides 90 days' notice and  
20 then does not switch after the end of the 90-day  
21 notice period, that the customer may stay on SSO  
22 service for the next year. Have I described that  
23 correctly?

24 A. You paraphrased it pretty well. I think

Page 26

1 it says "12 consecutive months" which is,  
2 essentially, a year.

3 Q. Do you know what the purpose of that  
4 requirement is?

5 A. No, I don't recall. It's been too long.

6 Q. Do you know the rate that AEP charges a  
7 CRES supplier to switch a customer from standard  
8 service offer to just service with a CRES supplier?

9 A. I don't remember the specific number, but  
10 I believe the switching fee is somewhere around \$10.

11 Q. Do you know what that -- what costs are  
12 being recovered through that switching fee?

13 A. Just generally. Just, in general, the  
14 transactional cost of actually implementing the  
15 switch. There may be -- there may be costs related  
16 to the systems to do that, but I don't recall  
17 specifically.

18 Q. Is there another AEP-Ohio witness in this  
19 case that would have more knowledge with regard to  
20 the switching fee?

21 A. I don't believe so.

22 Q. Is there another AEP-Ohio witness in this  
23 case that would have more knowledge with regard to  
24 the 90-day notice provision?

Page 27

1 A. Not that I can think of, no.

2 Q. Do you know what rate ready consolidated  
3 billing is?

4 A. In a general sense, yes.

5 Q. Does AEP-Ohio offer rate ready  
6 consolidated billing to customers who are shopping?

7 A. I don't know if we offer rate ready  
8 consolidated billing, but I believe it would be  
9 something we would offer to CRES providers, not  
10 really customers.

11 Q. Okay. So as we sit here today you don't  
12 know whether AEP-Ohio offers that or not to CRES  
13 providers.

14 A. I do not know. I know there has been  
15 effort underway related to those billing options, but  
16 I am not aware of the status of that.

17 Q. Okay.

18 A. I remember many, many years ago -- well,  
19 back at the beginning of Choice, back in the  
20 early-2000s we may have been -- we may have had  
21 systems that could have done that at that time, but  
22 I'm not certain of that. I just don't recall.

23 Q. Would there be any AEP-Ohio witness in  
24 this case who would have more knowledge of rate ready

Page 28

1 consolidated billing?

2 A. Possibly Witness Sloneker, but I'm not  
3 certain of that.

4 Q. At page 5 of your testimony you discuss  
5 some interruptible service offerings. At page 5,  
6 lines 16 to 18 you say that "... AEP Ohio's  
7 proposed compensation to customers for being willing  
8 to interrupt is based upon the same capacity rates  
9 charged to CRES providers for their use of the  
10 Company's capacity resources." What rate is that?

11 A. It's basically as described in lines 14  
12 and 15, it's the rate that's charged CRES providers  
13 under the FRR alternative under the Reliability  
14 Assurance Agreement of PJM Interconnection, LLC. At  
15 this time today I think it's in the order of  
16 somewhere between 110, 120 dollars a megawatt day.

17 Q. Is that based on the PJM RPM market price  
18 today?

19 A. Today it's based on that and also, I  
20 believe, the Commission ruling in another proceeding  
21 as far as the charge for capacity to CRES providers.

22 Q. Is the ruling in the other proceeding, is  
23 the other proceeding the 10-2929 case, if you know?

24 A. Yes. That's correct.

7 (Pages 25 to 28)

Page 29

1 Q. In the 10-2929 case are you aware that  
2 AEP-Ohio's requesting a cost-based rate for capacity?

3 A. In general, yes.

4 Q. If AEP-Ohio's request for a cost based  
5 capacity charge is approved, would the credit in the  
6 interruptible service offerings then be based on the  
7 cost based capacity charge?

8 A. Yes. And that's what's reflected in the  
9 company's proposal in this proceeding.

10 Q. Okay. So to the extent that the  
11 Commission approves a capacity cost of \$347 per  
12 megawatt day, approximately, then the interruptible  
13 credit -- well, if that's approved, will the  
14 interruptible credit be \$347 per megawatt day?

15 A. The credit under both rider IRP-D and  
16 rider ECS. Rider IRP-D is calculated and that would  
17 be the 347.97. It's kind of the composite of the CSP  
18 and OP values including losses. That value was used  
19 to calculate the credit for rider IRP-D and would  
20 also be used to calculate the credits under rider ECS  
21 assuming that the value that we're talking about,  
22 which is a merged value, so that's assuming the  
23 merger goes forward.

24 Q. So that's in the -- I'm looking now at

Page 30

1 the emergency curtailable service rider, there's a  
2 definition of curtailment demand credit, it says  
3 "Shall be a negotiated amount not less than  
4 80 percent of the cost of AEP's capacity obligation,  
5 in accordance with PJM's Reliability Assurance  
6 Agreement, among load-serving entities expressed in  
7 dollars per megawatt day."

8 So that am I correct that that definition  
9 of curtailment demand credit, when it refers to the  
10 PJM's RAA, that that is what that means for purposes  
11 of the customer is they'll receive, you know, they'll  
12 receive whatever capacity rate is approved by the  
13 Commission in the 10-2929 case?

14 MR. SATTERWHITE: Can I have that reread,  
15 sorry?

16 (Record read.)

17 A. I believe that is correct to the extent  
18 that that is the rate that PJM then uses to charge  
19 CRES providers as well. There's kind of three  
20 provisions in the reliability assurance agreement.  
21 So to the extent that the Commission's order is the  
22 provision that's governing in the RAA, then that  
23 would be the case, yes.

24 Q. It's a great read, isn't it? The RAA.

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1 A. Painful.

2 Q. Yeah. Now, it says here a negotiated  
3 amount not less than 80 percent of that cost. Do  
4 interruptible customers negotiate for 80 percent of  
5 the cost?

6 A. I'm sorry. I don't understand the  
7 question.

8 Q. I'm curious as to why the demand credit  
9 is not less than 80 percent of that cost. Are there  
10 circumstances where an interruptible customer  
11 negotiates for 80 percent of that cost rather than a  
12 hundred percent?

13 A. Kind of the standard offer starting point  
14 is the 80 percent. I can conceive of circumstances,  
15 particularly where it might be a very large customer  
16 with a lot of megawatts at a single site where they  
17 could argue that they deserve a higher percentage  
18 than 80 percent.

19 Q. It sets forth in here the 80 percent is  
20 the default, but if customers can show a reason that  
21 they should receive better than 80 percent, that's  
22 what's negotiable.

23 A. That's correct.

24 Q. Okay. At this point do you know what the

Page 32

1 amount of credit expressed in dollars per megawatt  
2 day is that will be provided in 2012 under the  
3 proposed ESP?

4 A. Under the proposed ESP, assuming the  
5 Commission approved what we filed in the 10-2929  
6 case, the value would be roughly \$8.70, I don't have  
7 the exact calculation, under rider ECS. The  
8 calculation I do have in my workpapers is for rider  
9 IRP-D and it's on page 56 of my workpapers.

10 Q. Okay. Is that in the workpapers that was  
11 included with the filing?

12 A. Yes.

13 Q. Rider ECS prohibits customers from  
14 participating in PJM's demand response programs. Can  
15 you tell me why?

16 A. I guess it really does not prohibit  
17 customers from participating in PJM demand response  
18 programs. It basically gives two different options.  
19 Option 1 is they participate in the ECS rider with  
20 the company, the other option is they participate in  
21 PJM demand response programs and commit their demand  
22 response towards the company's PDR benchmarks.

23 Q. It actually says they're prohibited from  
24 participating in the PJM programs unless they commit

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1 the peak demand savings to AEP's peak demand program;  
2 is that correct?

3 A. It says that they must agree to commit at  
4 no charge to the company the load being registered  
5 under the PJM demand response program toward the  
6 company's compliance with peak demand reduction  
7 benchmarks and then it goes on.

8 Q. Okay. Why is that?

9 A. Basically, the rationale is that the  
10 company has peak demand reduction benchmarks which it  
11 must meet and absent a commitment from customers of  
12 their -- should they enroll in the PJM program, that  
13 just creates a barrier to the company being able to  
14 meet its peak demand reduction obligations.

15 Q. If a customer did sign up for the PJM  
16 demand response program but did not sign a contract  
17 committing its peak demand reduction to the company,  
18 how does AEP-Ohio intend to enforce that prohibition?

19 MR. SATTERWHITE: Objection. Go ahead.

20 A. I don't know. And I guess it's all  
21 predicated on the Commission ultimately ruling on the  
22 ECS as proposed.

23 Q. I would agree with that.

24 You discuss the rate security rider in

Page 34

1 your testimony, I think it's right on pages 7 and 8,  
2 but I don't think you need to reference it. The rate  
3 security rider is an offer to -- let me ask this, is  
4 the rate security rider an offer to industrial  
5 customers that do not fall into certain SIC  
6 classifications?

7 A. It's an option that's available to  
8 commercial and industrial customers that don't fall  
9 within certain SIC codes plus also meet certain peak  
10 demand requirements and also has a limitation on the  
11 total subscription available.

12 Q. I guess the limitation on the total  
13 subscription is the 2,500 gigawatt-hours?

14 A. To an aggregate usage of 2,500  
15 gigawatt-hours.

16 Q. To the extent that, and I believe you say  
17 in your testimony that it's first come, first served,  
18 so to the extent that, you know, customers apply  
19 early, they'll probably get in if they qualify, but  
20 there may come a point where customers want to  
21 qualify but they're excluded because you've hit your  
22 2,500 gigawatt-hour cap; is that correct?

23 A. I believe that circumstance could happen,  
24 yes.

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1 Q. Customers who sign up for the rate  
2 security rider are prohibited from taking service  
3 from a CRES provider during the term of the contract,  
4 correct?

5 A. I do not believe that's actually  
6 precisely correct. I believe there's an option for  
7 them to end participation by repaying the discounts  
8 received plus 25, I believe it's 25 percent.

9 Q. Do you agree that in the rate security  
10 rider in the conditions of service it says "Customers  
11 enrolled in this rider will not take service from a  
12 qualified CRES provider during the term of the  
13 contract"?

14 A. That is a correct reading of the  
15 conditions of service, but if you turn to the next  
16 page under Term of Contract, it also says "Should a  
17 customer that has entered into a contract under this  
18 rider not take standard service offer from the  
19 company under the applicable rate schedule through  
20 the billing month of May 2017, the customer would be  
21 required to repay all discounts received under this  
22 rider plus a 25 percent adder within 21 days after  
23 the mailing of the bill that includes such charges."

24 Q. So is the only way for a customer to

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1 terminate service under the rate security rider is if  
2 they agree to pay back all discounts received plus a  
3 25 percent, it says "adder" in here, but that's  
4 essentially a 25 percent penalty, correct?

5 A. I would agree with everything but the  
6 last characterization of it as a penalty.

7 Q. So the 25 percent in addition to paying  
8 back all the rates, paying 25 percent on top of that,  
9 you would not characterize that as a penalty?

10 A. No, I would not.

11 Q. Do you have any idea how customers would  
12 characterize that?

13 A. No, I do not.

14 Q. The term of the contract is through May  
15 2017, correct?

16 A. Yes. Ending with -- contracts will end  
17 with the billing month of May 2017.

18 Q. What economic development showing do  
19 customers have to make in order to qualify for the  
20 rate security rider?

21 A. None other than meeting the criteria we  
22 discussed earlier.

23 Q. So, for example, they don't have to make  
24 any showing that they're adding payroll as part of

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1 receiving these discounts, correct?  
 2 A. No, they do not.  
 3 Q. And they don't have to make any showing  
 4 of additional capital investment in Ohio in order to  
 5 receive the discounts under this rider, correct?  
 6 A. No, they do not.  
 7 Q. Is the discount off the standard offer  
 8 generation service rider or the entire SSO rate?  
 9 A. The discount is off of the standard offer  
 10 generation service rider.  
 11 Q. So for the customers who sign up for the  
 12 rate security rider, you are fixing the standard  
 13 offer generation service rider rate from January 2013  
 14 through May 2017; is that correct?  
 15 A. I'm not sure what you mean by "fixing."  
 16 I guess we're setting what that standard offer  
 17 generation service rate they would pay for January  
 18 2012 through May 2017.  
 19 Q. Yeah, and just so I'm clear, because this  
 20 contract will extend beyond the term of the current  
 21 ESP, it's not, for example, a 10 percent discount off  
 22 of whatever the base generation rate is or might be  
 23 under the next ESP, it's a discount off what that  
 24 rate is as of May 2014.

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1 A. That's correct, for the periods June 2014  
 2 through May 2017.  
 3 Q. So for those customers they're not -- in  
 4 addition to receiving that, the discount of 10  
 5 percent, 5 percent, and then, you know, essentially  
 6 zero percent in the last year, their base generation  
 7 rate does not change throughout that period.  
 8 A. Their standard offer generation service  
 9 rider rate would not change during that June 2014 to  
 10 May 2017 period, that's correct.  
 11 Q. If AEP-Ohio did or used an MRO to  
 12 satisfy -- to provide standard service offer, their  
 13 SSO service, would AEP-Ohio offer the rate security  
 14 rider?  
 15 A. I have no idea.  
 16 Q. Do you know whether CRES suppliers could  
 17 offer equal or better terms than the rate security  
 18 rider?  
 19 A. I have no idea.  
 20 Q. In terms of coming up with the beginning  
 21 15 percent discount which then falls to 10 percent  
 22 and falls to 5 percent, were those percentage  
 23 discounts developed by you?  
 24 A. Yes, in collaboration with Witness

Page 39

1 Hamrock. We discussed what level to include in the  
 2 rider and these were the values we selected.  
 3 Q. In terms of starting with a 15 percent  
 4 discount versus a 20 percent or a 10 percent or  
 5 something other than 15 percent, how did you decide  
 6 to use 15 percent?  
 7 A. It was the company's judgment. Our  
 8 judgment.  
 9 Q. Based on what?  
 10 A. Based on our experience and our knowledge  
 11 of, back in the olden days, the way economic  
 12 development riders were structured and that type of  
 13 thing.  
 14 Q. Did you have a projection of what you  
 15 expect to be the revenue lost from providing these  
 16 discounts?  
 17 A. Not to my knowledge.  
 18 Q. Did you base these discounts on what was  
 19 otherwise available in the market?  
 20 A. Not to my knowledge.  
 21 Q. With regard to setting these rates, what  
 22 discussions did you have with Mr. Hamrock?  
 23 A. We discussed his desire to include a rate  
 24 security rider in the filing and I believe I prepared

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1 a draft of the rider, he reviewed it, and that was  
 2 about it.  
 3 Q. Did he assist you in developing the  
 4 percentage discounts? The level of the percentage  
 5 discounts.  
 6 A. I believe we discussed what levels we  
 7 wanted to include, but --  
 8 Q. So yes.  
 9 A. Yes, I think so.  
 10 Q. Are you familiar with the economic  
 11 development rider that's proposed by the Commission  
 12 staff for which I think comments from parties were  
 13 due today?  
 14 A. Yes.  
 15 Q. Were you involved in AEP's preparation of  
 16 comments on the economic development tariff?  
 17 A. Yes, I was.  
 18 Q. Does AEP support the concept of the  
 19 economic development tariff?  
 20 A. In general, yes, we support the concept  
 21 of economic development. There were a number of  
 22 areas of concern that we identified in our comments.  
 23 Q. Do you know whether energy-intensive,  
 24 high load factor customers would receive better

10 (Pages 37 to 40)



Page 41

1 pricing under the proposed economic development  
2 tariff or under the rate security rider?

3 A. I have no idea.

4 Q. Have you made any attempt to compare the  
5 discounts offered under the rate security rider and  
6 the discounts offered in the proposed economic  
7 development tariff?

8 A. No, I have not.

9 Q. Do you know whether there would be a need  
10 for a rate security rider if the economic development  
11 tariff were approved?

12 A. I think there could be. There are any  
13 number of different approaches to economic  
14 development as seen by, kind of like the current  
15 reasonable arrangements are all slightly different  
16 from each other than the ones that do exist. So I  
17 think there's the possibility that different options  
18 could be more attractive to some folks than others.

19 Q. Now, under the Commission's economic  
20 development tariff the customers, in order to  
21 qualify, have to make a showing that they're  
22 contributing to Ohio's economic development either  
23 with regard to payroll or capital investment. Do you  
24 understand that that's the case?

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1 A. Under their proposal.

2 Q. Correct.

3 A. That's my understanding, yes.

4 Q. In your rate security rider there's no  
5 equivalent showing required, correct?

6 A. That is correct.

7 Q. Let me ask you a few questions about the,  
8 what I call the base generation rate which is the  
9 rate that's in the, the rider -- which rider is it  
10 that's the base generation?

11 A. Standard offer generation service rider.

12 Q. The GSR rider. The rider GSR. I always  
13 forget that one. Does rider GSR recover AEP-Ohio's  
14 costs of energy, capacity, and ancillary services?

15 A. I would say generally we would hope that  
16 it would with a couple caveats, that is that there  
17 are certain ancillary services which are not in those  
18 items but are included in the TCR.

19 Q. Any other caveats?

20 A. Other than there's no guarantee that it  
21 will. It's a proposal over the period of time  
22 without us knowing what our costs are going to be,  
23 so ...

24 Q. Is it designed to fully recover those

Page 43

1 costs?

2 A. I'd say at the time we designed it it was  
3 intended to compensate us for our costs plus a  
4 reasonable return.

5 Q. Are you able to tell me what the capacity  
6 price is that's charged to standard service offer  
7 customers?

8 A. Today or under the company's proposal?

9 Q. Let's start with today.

10 A. Today? No.

11 Q. Would you be able to tell me what the  
12 capacity price is that would be charged to standard  
13 service offer customers under the proposed ESP?

14 A. Not the way it's designed, no.

15 Q. Why is that?

16 A. If you look at the way that we designed  
17 the standard offer generation service rider, we used  
18 market price information, both capacity and energy,  
19 to develop price relationships, then once we  
20 developed those price relationships, those price  
21 relationships were scaled up or down to meet the  
22 overall request the company was seeking in this  
23 proceeding.

24 So because of the scaling factors and

Page 44

1 that kind of thing I can't explicitly identify how  
2 much is in a particular rate component, a residential  
3 rate or another rate that's specifically for capacity  
4 or energy.

5 Q. If you look at the total revenue  
6 anticipated to be generated by the rider GSR, on that  
7 basis could you tell me what part of the total  
8 revenue goes toward capacity, what part towards  
9 energy, and what part towards ancillary services?

10 A. No, I could not.

11 Q. Is it fair to say that some percentage of  
12 that is recovering capacity, some percentage is  
13 recovering energy, and some percentage is recovering  
14 ancillary services costs?

15 A. It's fair to say that, but I don't know  
16 the percentages.

17 Q. That was my next question. Do you know  
18 the percentages?

19 A. No.

20 Q. Is there any internal allocation that AEP  
21 does with that revenue, you know, to capacity, to  
22 energy, to anything?

23 A. Not that I'm aware of.

24 Q. It's just considered to be revenue.

11 (Pages 41 to 44)

Page 45

1 A. Yes.

2 Q. Does AEP-Ohio recover capacity costs from  
3 standard service offer customers through any charge  
4 other than the rider GSR?

5 A. I guess to the extent there's a capacity  
6 component in the total cost of the Turning Point,  
7 there would be recovery in the GRR.

8 Q. Okay. Going back to the percentages of  
9 capacity, energy, ancillary services that are in that  
10 GSR revenue, if we could determine what the  
11 ancillary, you know, what portion recovers the  
12 ancillary services and what portion recovers energy,  
13 would the remainder then be what you're charging for  
14 capacity?

15 A. I think your hypothetical makes sense.

16 Q. I guess another way to do it would be to  
17 perform a cost-of-service study, correct?

18 A. Yes. Yes. I agree.

19 Q. On page 9 of your testimony, lines 3 and  
20 4 you refer to the methodology used by Company  
21 Witness Thomas. What methodology is that that you're  
22 referring to?

23 A. It was basically the methodology by which  
24 using a particular load shape she developed a market

Page 46

1 based generation price.

2 Q. If I could ask you to turn to DMR-2 which  
3 says "Calculation of Standard Offer Generation  
4 Service Rider."

5 A. Sure.

6 Q. Is the top portion of this exhibit,  
7 everything above Transmission Adjustment, so the  
8 Market Shaped Rates, is that data what was provided  
9 to you by Witness Thomas?

10 A. The market shaped rates, particularly the  
11 line items for Residential, GS-1, AL, and SL were  
12 computed using the same methodology as used by  
13 Witness Thomas. The demand metered values were  
14 computed I think using similar information but then  
15 adjusted to create the blocking, the load factor  
16 blocking, and I think that's shown in my workpapers.

17 Q. About two-thirds of the way down, I'm  
18 going to point to it on my page here, I think it says  
19 "75 percent."

20 A. That's 76 percent.

21 Q. 76 percent.

22 A. My copy's a little better than yours.

23 Q. My copy is not good. What is the  
24 significance of that 76 percent?

Page 47

1 A. My recollection is that the 76 percent is  
2 the percentage by which the market shaped rates  
3 adjusted for transmission shown above had to be  
4 scaled down to to meet the company's target 2012 base  
5 G revenues.

6 Q. So are the market shaped rates at the top  
7 of this exhibit, are these, using Witness Thomas's  
8 methodology, what AEP would expect the rates would be  
9 under an MRO?

10 MR. SATTERWHITE: I'm sorry. Before you  
11 answer that, can I hear that again?

12 (Record read.)

13 A. Where I'm struggling is I'm trying to  
14 recall whether it would be the rates at the top of  
15 the page labeled Market Shaped Rates or the Market  
16 Shaped Rates Adjusted for Transmission. I believe it  
17 would be the market shaped rates adjusted for  
18 transmission that would be comparable to the values I  
19 would have provided Ms. Thomas for use in her  
20 comparison.

21 No, that's not correct. That's not  
22 correct. I'm sorry. No. That's not correct. No,  
23 it would be the top section, the values labeled  
24 Market Shaped Rates are computed in a consistent

Page 48

1 manner with how Witness Thomas computed the market  
2 values used in her MRO test is my understanding.

3 Q. And is the value of this analysis for  
4 your purposes, not necessarily what any particular  
5 price is for a particular rate class, but the  
6 relationship of pricing between the rate classes, and  
7 then you took those relationships and reflected those  
8 relationships in your total, in your, you know, total  
9 generation rates?

10 A. I would say that's a pretty good summary  
11 of what we did, that I'm purely relying on this  
12 information for rate relationships, not for absolute  
13 values of rates.

14 Q. All right. And the rate relationships  
15 came from Witness Thomas and the assumption is that  
16 the relationships, for example, between the  
17 residential and GS-1 class, are what you would expect  
18 to see in competitive market pricing.

19 THE WITNESS: Can you read that back,  
20 please?

21 (Record read.)

22 A. I guess I'm not sure what you mean --  
23 what exactly you mean by "competitive market  
24 pricing," but our intent was to reflect market

12 (Pages 45 to 48)

Page 49

1 price -- market price relationships in our rates  
2 using the load shapes for each of the tariff classes  
3 and the market price calculation methodology that  
4 Witness Thomas used.

5 Q. Are the price relationships that you end  
6 up with at the end of the day at the bottom of the  
7 page, are they based on AEP-Ohio's costs of providing  
8 service to those different rate classes?

9 A. Not from the perspective of a traditional  
10 class cost of service ratemaking type perspective;  
11 however, in aggregate, as we kind of discussed  
12 earlier, you know, the intent was that the proposed  
13 prices would, we'd hope, cover our costs plus a fair  
14 return on the investment.

15 Q. You're referring in your testimony to the  
16 requested average generation price. It's that  
17 requested average generation price, if that's  
18 approved, that's what gives the hope that you can  
19 recover your costs.

20 A. Yes, that among all the other components  
21 of the ESP.

22 Q. Is the average generation price that,  
23 again, you reference on page 9, is that the rider  
24 GSR, the FAC, and the EICCR? Is it those three

Page 50

1 components, or is it only the rider GSR?

2 A. It's all three components basically.

3 Q. Is there anything else that's in that  
4 average generation price other than rider GSR, the  
5 FAC, and the EICCR?

6 A. Not in my calculations, no.

7 Q. All right. Yours are the ones that  
8 matter.

9 Now, you provided Laura Thomas with  
10 proposed ESP generation prices, what are called the  
11 market comparable generation prices; is that correct?

12 A. Yes. That's correct.

13 Q. What were your instructions from her?

14 A. Basically, she needed proposed ESP  
15 generation prices that would be comparable to the  
16 market prices she was using.

17 Q. Okay. And when she's comparing the ESP  
18 price to the MRO price, this is the -- the market  
19 generation comparable price is what's going on the  
20 ESP side of the comparison; is that correct?

21 A. I believe that's correct, but it would be  
22 better to talk to her about it.

23 Q. Did she ask you for the total ESP price,  
24 so all pricing elements of the ESP, or just base

Page 51

1 generation, fuel, and EICCR?

2 A. I only provided Ms. Thomas base  
3 generation prices.

4 Q. So you did not provide her the fuel or  
5 the environmental?

6 A. No, I did not.

7 Q. Was the request from her only for the  
8 base generation? Was that your one task?

9 A. I'm sorry. I apologize. I did add into  
10 the base generation prices the values for the 2011  
11 full cost FAC and EICCR and did also make the  
12 transmission adjustment that we talked about earlier.

13 Q. So in addition to base generation, fuel,  
14 environmental, and the transmission adjustment, is  
15 what you provided to Ms. Thomas, does it include any  
16 of the other pricing components of the ESP standard  
17 service offer?

18 A. Those are the only components that I  
19 provided Ms. Thomas.

20 Q. Did she ask you for an estimate of the  
21 POLR charge?

22 A. No. Witness Thomas prepared the estimate  
23 of the POLR charge.

24 Q. Did she ask you for an estimate of any of

Page 52

1 the nonbypassable generation related riders such as  
2 the GRR or the FCCR?

3 A. I do not recall her asking me for those,  
4 but because I think she was aware that we did not  
5 have an estimate.

6 Q. If you had an estimate of the cost of  
7 those riders, would you have included it in the  
8 market comparable generation price?

9 A. I do not believe so, but that probably  
10 would be best asked to Witness Thomas.

11 Q. You said you provided full fuel for 2012;  
12 is that correct?

13 A. For 2011.

14 Q. For 2011, okay. Did you provide any  
15 adjustments for years after 2011?

16 A. No, I did not.

17 Q. And with regard to the EICCR, is that  
18 also a 2011 number?

19 A. That's a full cost 2011 number, yes.

20 Q. Did you provide full cost EICCR for 2012,  
21 2013, or 2014?

22 A. I did not, no.

23 Q. Do you have those estimates available?

24 A. I don't know. I wouldn't be the one

13 (Pages 49 to 52)

Page 53

1 preparing them.

2 Q. Do you know whether the environmental  
3 estimate -- cost estimate that you prepared for 2011  
4 was subject to -- is subject to change in 2012, 2013,  
5 or 2014?

6 THE WITNESS: Could you read that back  
7 again?

8 (Record read.)

9 A. Yes. I believe the estimate that was  
10 provided for 2011 could change in 2012, 2013, 2014,  
11 it could also change in 2011 as well.

12 Q. Fair enough. So the EICCR is a variable  
13 rate, correct?

14 A. Yes. It changes based on actual costs.

15 Q. And the same thing with regard to fuel,  
16 that's variable, it changes based on actual costs.

17 A. Yes.

18 Q. Did you prepare any or have you prepared  
19 any projections with regard to whether those two  
20 components, fuel and environmental, would increase  
21 over the time period of the ESP?

22 A. I have not.

23 Q. Do you know whether someone else at AEP  
24 has done so?

Page 54

1 A. Possibly, but I'm not sure.

2 Q. Was the possibility that the fuel and  
3 environmental costs could increase through the period  
4 of the ESP taken into consideration when doing a  
5 comparison of the MRO and the ESP?

6 A. You need to talk to Witness Thomas about  
7 that. I didn't do that comparison.

8 Q. And you weren't asked to do that  
9 comparison by Witness Thomas.

10 A. No.

11 Q. Is that something that she would not ask  
12 you to do?

13 A. The ESP-MRO comparison? No.

14 Q. The projections of fuel and environmental  
15 going forward from 2011.

16 A. No, generally she wouldn't ask me for  
17 that.

18 Q. Who would she ask for that?

19 A. Possibly Witness Nelson.

20 Q. You say in your testimony that the GRR  
21 rider is a placeholder, it's on page 10 of your  
22 testimony. What do you mean by "placeholder"?

23 A. Basically, because at the time of the  
24 January filing there were no costs to include in the

Page 55

1 rider, it would be basically an empty rider with a  
2 zero value.

3 Q. Were you asking the Commission to approve  
4 that empty rider as a nonbypassable rider?

5 A. Yes. That's correct.

6 Q. Does your testimony attempt to show that  
7 statutory conditions are satisfied for purposes of  
8 the Commission approving a nonbypassable rider?

9 A. My testimony doesn't draw any legal  
10 conclusions, so no.

11 Q. Are you aware of any of the conditions in  
12 Ohio law that exist with regard to, you know,  
13 satisfying those conditions or to obtain a  
14 nonbypassable rider?

15 A. Not really. They're pretty complicated  
16 and I haven't looked at them in months and months.

17 Q. I want to ask you a question about your  
18 DMR-4 which is your summary of the ESP rate  
19 mechanisms. You have a Distribution column in DMR-4  
20 and I think, to the extent that one of the rate  
21 mechanisms is distribution related, you say "Yes" in  
22 that column. Is that the approach you've taken here?

23 THE WITNESS: I'm sorry. Can you read  
24 that back?

Page 56

1 (Record read.)

2 A. Yes. That's correct.

3 Q. Is the POLR charge rider a distribution  
4 rate mechanism?

5 A. No. From the standpoint of the way I  
6 prepared this schedule the POLR is not related to  
7 what I would call traditional distribution service.

8 Q. Okay. Do you consider it to be an  
9 obligation imposed on the distribution utility?

10 A. Yes, I believe it's an obligation of the  
11 EDU.

12 Q. To the extent that in that Distribution  
13 column you haven't put the word Yes next to one of  
14 the rate mechanisms, does that mean that all those  
15 other rate mechanisms are generation related rate  
16 mechanisms?

17 A. Not necessarily. For example, the  
18 transmission cost recovery rider is not a  
19 distribution mechanism, so I don't have a Yes in that  
20 column, but it's not a generation mechanism either.  
21 Also, when you get down towards the bottom of the  
22 page where you were talking about other provisions  
23 like the green power portfolio rider, the rate  
24 security rider, the emergency curtailable service

Page 57

1 rider, those are really neither generation nor  
2 distribution; they're kind of their own creatures.

3 And from my standpoint the Distribution  
4 column is kind of the old school traditional utility  
5 definition of distribution was the intent.

6 Q. To the extent that you've identified  
7 items as old school distribution related, would you  
8 agree that those are all items that could be included  
9 in your distribution case?

10 A. I think for the most part yes. There are  
11 a few that I don't believe so. For example, the  
12 market transition rider, perhaps the distribution  
13 investment rider, I think that's included in both.  
14 Some of them are actually not even included in the  
15 base distribution case, they're separate proceedings  
16 unto themselves like the universal service fund rider  
17 or the previous advanced energy fund rider.

18 Q. You mentioned the market transition  
19 rider. Could AEP do an MRO to satisfy its standard  
20 service offer requirement and include in that a  
21 market transition rider?

22 A. I believe it's possible.

23 Q. It's essentially a rate design component,  
24 correct?

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1 A. It is a rate design component. Where I'm  
2 stumbling a little bit is whether it's permissible,  
3 that type of construct is permissible in a  
4 traditional D case versus -- I'm sorry, in an ESP  
5 versus an MRO. I just don't recall all the statutory  
6 provisions for an MRO because we're not proposing  
7 one.

8 Q. Okay. So you're not aware of whether an  
9 MRO could include rate mechanisms that slowly move  
10 existing rates toward market rates.

11 MR. SATTERWHITE: Objection.

12 A. I don't know because I haven't thought  
13 about an MRO.

14 Q. Can you identify the rate mechanisms  
15 listed on DMR-4 that are also included in the  
16 currently pending distribution rate case?

17 A. To the best of my recollection, the  
18 distribution investment rider is also addressed in  
19 the pending distribution rate cases. I believe the  
20 plug-in electric vehicle tariff/costs are addressed  
21 in the pending distribution rate cases. I don't  
22 recall regarding the storm damage recovery mechanism.  
23 And the other two I'm not sure about are the enhanced  
24 service reliability rider and the gridSMART rider.

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1 I believe for the advanced energy fund  
2 rider, I think it is being addressed in the  
3 distribution case simply to remove that expired  
4 tariff sheet. And the universal service fund rider  
5 would be in the case but is really addressed in a  
6 separate proceeding, similar to the EE/PDR rider,  
7 which may be identified in the case but is really  
8 addressed in a separate proceeding, the economic  
9 development cost recovery rider which would, I  
10 believe, be in the cases but also addressed in a  
11 separate proceeding.

12 I do not believe the phase-in recovery  
13 rider is addressed in the distribution case. And I  
14 know the market transition rider is not addressed in  
15 the distribution case. And I don't believe the  
16 uncollectibles is addressed in the distribution case.

17 Q. Does that cover it?

18 A. I think I got them all.

19 Q. Okay. Thank you.

20 On page 13 of your testimony starting at  
21 line 4 you say that "Once a final order in this  
22 proceeding is issued, a one-time rider would be  
23 implemented in conjunction with the ultimately  
24 approved ESP rates." And I believe in this you're

Page 60

1 talking about this one-time rider which would become  
2 necessary if the ESP is not approved before the end  
3 of this calendar year; is that correct?

4 A. I believe that's the context of the  
5 discussion on the bottom of page 12 and top of 13,  
6 yes.

7 Q. And that one-time rider would make  
8 adjustments on a going-forward basis based on the  
9 delay in the Commission's approval of this ESP,  
10 meaning that if they approve it after January 1,  
11 2012.

12 THE WITNESS: Could you read that back,  
13 please?

14 (Record read.)

15 A. I believe you paraphrased that pretty  
16 well. The one-time rider would only become an issue  
17 should the Commission not get an order out before the  
18 end of this year.

19 Q. Is it your understanding that the Ohio  
20 Supreme Court rejected a similar rider that was part  
21 of AEP-Ohio's first ESP?

22 MR. SATTERWHITE: Objection.

23 A. I'm not sure exactly what was in the  
24 Supreme Court order.

15 (Pages 57 to 60)

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1 Q. This was filed -- your testimony was  
2 filed in January. Is AEP-Ohio, as part of its  
3 proposed ESP, continuing to request the final -- a  
4 one-time rider of this form if the Commission does  
5 not approve the ESP before the end of this year?

6 A. As far as I know.

7 Q. To the extent that AEP-Ohio generating  
8 facilities make off-system sales are they -- the  
9 profits or the margin from those off-system sales  
10 shared with standard service offer customers?

11 A. There is a level of off-system sales  
12 profits kind of effectively baked into the rates from  
13 when they were set back in the last rate cases, back  
14 in the '90s, baked into the unbundled rates that were  
15 set in the ETP cases and then kind of implicitly  
16 baked into the rates coming out of the RSP in the  
17 last ESP. So, yes, there are levels baked in.

18 Q. Do you know what was baked in, as you  
19 say, in the 1990s?

20 A. I have no idea what those values were.

21 Q. Do you know how it was done?

22 A. My recollection is a test year level of  
23 system sales profits would have been a reduction to  
24 the total revenue requirement used to establish the

Page 62

1 rates at that time.

2 Q. So if they used the off-system sales  
3 during a particular test year, would it have been a  
4 100 percent offset for those, you know, the sales  
5 that occurred in that test year?

6 A. I believe that's the case. Without going  
7 back and digging through those cases I can't recall  
8 for certain, but I believe that's the case.

9 Q. Do you know whether the amount of  
10 off-system sales have changed since that time period  
11 in the 1990s as compared to today?

12 A. By definition they have to have changed.  
13 I don't know what direction they've gone.

14 Q. So you don't know whether there's been,  
15 for example, a substantial increase in off-system  
16 sales.

17 A. I don't know for certain, but that would  
18 really surprise me.

19 Q. Why is that?

20 A. Given where markets are today and market  
21 prices are today I'd be surprised if the levels of  
22 off-system sales margins are higher now than they  
23 used to be. That would surprise me.

24 Q. Other than you who at AEP-Ohio would know

Page 63

1 how those off-system sales were baked into rates in  
2 the 1990s?

3 A. I can't think of anyone at this time. I  
4 can't think of anyone.

5 Q. So certainly none of the other AEP-Ohio  
6 witnesses in this proceeding?

7 A. I don't -- no, I don't think so. I mean,  
8 there's a remote possibility that Witness Thomas  
9 might have some idea, but that's pretty remote.

10 Q. I want to ask you whether 100 percent of  
11 the off-system sales would have been incorporated way  
12 back when. Are you, you know, are you confident that  
13 that's the case, or are you speculating that that's  
14 the case?

15 A. I'm reasonably confident that's the case.

16 Q. Okay. Not only that they were baked in,  
17 but it was 100 percent of the off-system sales during  
18 the test year.

19 A. I'm pretty sure of that, yes.

20 Q. Okay. And where does your confidence  
21 come from?

22 A. Because I worked on both of those cases.

23 Q. Were you involved in those calculations  
24 and those rate determinations in those cases?

Page 64

1 A. I had worked on the rate -- setting the  
2 rates in those case, yes.

3 Q. You don't look old enough. You were 12  
4 at that time.

5 A. Thank you.

6 Q. So what was your -- and those rate cases  
7 way back when, what was your specific role?

8 A. I worked in basically the same department  
9 I work in now, but I was basically an analyst  
10 supporting the witnesses.

11 MR. LANG: No further questions from  
12 FirstEnergy Solutions.

13 THE WITNESS: Thank you.

14 MR. SATTERWHITE: Is this a good time for  
15 a quick break?

16 MR. LANG: Sure.

17 (Recess taken.)

18 MR. ETTER: I guess we're going to go  
19 back on the record then.

20 ---

21 EXAMINATION

22 By Mr. Etter:

23 Q. Good afternoon, Mr. Roush. My name is  
24 Terry Etter. I'm with the OCC. It's good to see you

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Page 67

1 again.  
 2 A. Likewise.  
 3 Q. If you'll turn to page 3 of your  
 4 testimony, and this is your original direct  
 5 testimony, on lines 14 to 22 there you discuss  
 6 Exhibit DMR-1 and you describe it as a summary of the  
 7 proposed annual change in the base generation rates,  
 8 and you also note there that some charges are not  
 9 included, and you have kind of a rundown of charges  
 10 there. Let's kind of go through those for a few  
 11 minutes.  
 12 Why did you not include any estimate in  
 13 potential changes in costs recovered through the FAC?  
 14 A. Basically, because I was not provided one  
 15 by one of the other company witnesses.  
 16 Q. And why did you not include any estimate  
 17 of potential changes in costs recovered through the  
 18 EICCR?  
 19 A. For the same reason. I wasn't provided  
 20 an estimate.  
 21 Q. Or any estimate of future changes in the  
 22 level of the TCRR.  
 23 A. For the same reason, but in addition, to  
 24 avoid confusing the presentation because the TCRR is

Page 66

1 not really an issue in this proceeding. So I didn't  
 2 want to bring in other proceeding issues into this  
 3 proceeding as far as the presentation of my exhibit.  
 4 Q. Or any estimate of future changes in base  
 5 distribution rates.  
 6 A. For the same reason.  
 7 Q. And an estimate of future changes in  
 8 distribution related riders.  
 9 A. For the same reason.  
 10 Q. Now, as I understand it, as was discussed  
 11 earlier, you calculated the 2012 base generation  
 12 rates by determining the market based price  
 13 relationship for the various types of customer usage  
 14 then deducted the projected 2011 costs for the FAC  
 15 and the EICCR; is that right?  
 16 A. That's a pretty good summary, yes.  
 17 Q. Okay. And on page 9 and line 6 you  
 18 indicate there that one purpose of that method of  
 19 calculation was to maintain the market based price  
 20 relationships, right?  
 21 THE WITNESS: I'm sorry. I missed the  
 22 first part of that. Could you read it back, please?  
 23 (Record read.)  
 24 A. Yes, I think that's correct. The

1 calculation I performed basically maintained the  
 2 market based price relationships in the proposed  
 3 rates.

4 Q. Okay. What do you mean there by  
 5 "maintain"? How did this maintain those  
 6 relationships?

7 A. What I mean by "maintain" there is that  
 8 at the top of Exhibit DMR-2 I'm establishing the  
 9 market price relationships and then I'm maintaining  
 10 those in the proposed rates that I'm -- in the rates  
 11 that I'm proposing.

12 Q. What happens under your proposal if the  
 13 fuel costs, for example, are higher than projected?  
 14 Does this still maintain those relationships?

15 A. Generally I'd say yes.

16 Q. And what if the EICCR was higher than  
 17 projected and the fuel costs were higher than  
 18 projected?

19 A. Generally I would say it would still  
 20 maintain the right relationships.

21 Q. Now, on page 10 there at the very top you  
 22 state that the present generation rates reflect an  
 23 amalgamation of very old cost relationships. What  
 24 information was once used to establish the existing

Page 68

1 rate relationships?

2 A. The existing rate relationships would  
 3 have started with the either settlement or compliance  
 4 rates from the companies, each company's most recent  
 5 rate case subsequently adjusted for a number of  
 6 things including unbundling, the RSP, and ESP.

7 Q. What would the cost of service mostly  
 8 have been based on under those old relationships?

9 A. The last -- it would have been based on  
 10 the 1991 and '94 rate case test year information.

11 Q. And was it mainly load research data?

12 A. That's only one part of it. Certainly  
 13 that does impact the demand and energy allocation  
 14 factors used in class cost studies, but there are a  
 15 number of other elements in the class cost study.

16 Q. And what would those elements be?

17 A. Items such as labor, number of customers,  
 18 voltage of service, uncollectibles. There's just a  
 19 pretty extensive number allocation bases that are  
 20 used.

21 Q. And when was the last time the company  
 22 collected such data?

23 A. The last time we did class

24 cost-of-service studies for CSP and OP were in those

17 (Pages 65 to 68)

Page 69

1 cases.

2 Q. Back in the '90s?

3 A. Yes. Other than in the recent  
4 distribution case we did, but that was purely for  
5 distribution.

6 Q. Now, I think in your calculations for  
7 your generation rate, your base generation rate for  
8 this proposed ESP, among the things you used was  
9 forecast 2012 to 2014 hourly data by class; is that  
10 right?

11 A. I know it was hourly data by class. What  
12 I'm trying to remember is whether it was historical  
13 or forecast and I just don't remember at this time.

14 Q. If it was forecast, where might that data  
15 have come from?

16 A. If it were forecast, and I'm not sure  
17 that it was, it would have come from a combination of  
18 our Load Research group and I would assume some  
19 information from like Economic Forecasting.

20 Q. Now, on lines 2 and 3 of page 10 you  
21 mention there historical levels of  
22 cross-subsidization among tariff classes. What do  
23 you mean by that?

24 A. Back in the company's last rate cases, as

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1 in all rate cases at the time, the companies would  
2 have proposed to make progress to move all customer  
3 classes towards cost of service and, as is typical,  
4 the -- as is typical, progress is usually not made  
5 all at once so there's always kind of a gradualism  
6 approach that's taken. So you may eliminate some of  
7 the class cross-subsidization in that case in  
8 anticipation it will give you a little more in the  
9 next case, a little more in the next case.

10 So that's the cross-subsidization among  
11 tariff classes I was talking about is what was kind  
12 of left after those last rate cases.

13 Q. Are you suggesting that some tariff  
14 classes are being served at below cost these days?

15 A. At least at that time that some customer  
16 classes were paying more than their fair share and  
17 some were paying less.

18 Q. What do you mean by "fair share"?

19 A. The way I would define fair share is that  
20 each class is producing at the total company approved  
21 rate of return.

22 Q. Now, on that same page, page 10, and  
23 lines 10 and 11, you state there that the proposed  
24 design eliminates explicit demand charges. What was

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1 the purpose of historical explicit demand charges?

2 A. Explicit demand -- generally in cost  
3 based, cost of service rate making world, you know,  
4 kind of the end-all be-all goal was to get customer  
5 charges through -- customer costs through customer  
6 charges, energy costs through energy charges, demand  
7 costs through demand charges. You can accomplish  
8 that a number of different ways. You can accomplish  
9 that through an explicit demand charge for tariffs  
10 that have to be on metering.

11 You can also accomplish that through  
12 other approaches like load factor based rates where  
13 the kilowatt-hours are blocked based on kWh per kW,  
14 and that's more of an implicit demand charge. And  
15 that's what we've done in this proceeding is move  
16 away from explicit demand charges to implicit demand  
17 charges based on load factor.

18 Q. And how will the company control system  
19 or distribution peak demands if there are not  
20 explicit demand charges?

21 A. There's -- within the company's proposed  
22 rates there are still price signals that encourage  
23 customers to control their peak demand. A simple  
24 example would be if a customer has a peak demand of a

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1 hundred kW, under the company's proposed rates if  
2 they reduce their peak demand by 10 kW, the amount of  
3 energy that gets priced at the lower higher-priced  
4 energy blocks would go down so they would save money.  
5 So the price signal is still there even without the  
6 explicit demand charge.

7 Q. And what will this do to system usage?

8 A. Inherently I think the company's proposed  
9 design provides better price signals than the  
10 previous rate design. We talked earlier about having  
11 full DEC rates. We generally may get there for  
12 larger industrial customers, full demand energy  
13 customer rates, but for small or lower load factor  
14 customers we may end up having a fair amount of  
15 demand costs in the energy charge.

16 So by the company's proposed structure  
17 all customers are seeing the full impact of the  
18 demand relationship, cost-demand relationship. So I  
19 think we're improving the price signals which should  
20 improve customers' response or recognition what it  
21 actually costs for increased demand.

22 Q. Now, on page 10, lines 16 to 22 you  
23 mention you provided Ms. Thomas with information  
24 regarding AEP's proposed ESP generation rates. OCC

18 (Pages 69 to 72)



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1 had asked for a copy of the material that was  
2 supplied to Ms. Thomas and you referred us in the RPD  
3 that it was in your workpapers. Do you have your  
4 workpapers with you today?

5 A. Yes, I do.

6 Q. Oh, good. Can you identify the specific  
7 pages of the workpapers that you provided to  
8 Ms. Thomas?

9 A. Certainly. It should be roughly page,  
10 well, it should be pages 62 through 65 of my  
11 workpapers. I've got 75 pages of workpapers so it's  
12 towards the end. I apologize, they weren't page  
13 numbered.

14 Q. Now, does AEP-Ohio intend to collect the  
15 incremental carrying charges of environmental  
16 investment made during the 2001 to 2008 period  
17 through any rates, riders, or provisions on the  
18 ESP -- the 2012 to 2014 ESP?

19 A. I don't believe there's any explicit  
20 provision related to those items. But, you know, to  
21 the extent we're -- as we talked about earlier, to  
22 the extent we're setting -- proposing rates that we  
23 hope will cover all of our costs, to the extent we're  
24 still incurring those costs, then they may be part of

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1 our proposal, but there's no explicit provision for  
2 that.

3 Q. Are they embedded in the base generation  
4 rate as opposed to a rider?

5 A. They could be. It's kind of like prego,  
6 they're in there somewhere.

7 Q. So you don't know any specific dollar  
8 amount that might still be there?

9 A. I have no idea.

10 Q. Now, back on page 4, line 12, you state  
11 that the company is proposing a uniform per  
12 kilowatt-hour POLR charge. Why is that?

13 A. Basically, it's based upon the  
14 information that Witness Thomas calculated in her --  
15 and that's the way it was computed basically.

16 Q. But what's the reason for that being  
17 there?

18 A. It just -- it makes more sense than the  
19 previous mechanism which was kind of a, kind of a  
20 mixed -- the previous calculation was difficult to  
21 discern, whereas this is much more straightforward.

22 Q. Now, on page 5 lines 2 and 3 you state  
23 that the GSR, the generation service rider, will not  
24 apply to customers who elect not to pay POLR charges

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1 and have returned to market-based rates. But under  
2 AEP's proposed ESP POLR charges would be  
3 nonbypassable. So if the PUCO makes POLR charges  
4 nonbypassable, which customer would the GSR not apply  
5 to?

6 A. I don't think that's correct that the  
7 POLR charges are nonbypassable. If you go to -- I'll  
8 find the right page, my Exhibit 5, page 109,  
9 basically there are two ways that the POLR charge is  
10 bypassable. The first way is that customers of a  
11 governmental aggregation elect not to receive default  
12 service from the company at standard service offer  
13 rates pursuant to section 4928.20(J) of the Ohio  
14 Revised Code. They make that election, then they can  
15 bypass the POLR charge.

16 The second one is that customers that  
17 elect to take service from a CRES and agree to pay  
18 the market price of power should they return at any  
19 time to energy service from the company, the customer  
20 makes the election, they would not be subject to the  
21 charges under the POLR rider. So there still is, in  
22 the company's proposal, opportunities for customers  
23 to elect not to pay the POLR.

24 Q. Now if you'll turn to page 13, as was

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1 mentioned earlier, you describe here a proposed  
2 mechanism to be applied if the Commission does not  
3 approve the proposed ESP by December 30th, 2011.  
4 Could you explain what that proposal is?

5 A. Sure. The proposal is that once a final  
6 order came out after December 30, 2011, that the  
7 company would institute a one-time rider beginning at  
8 the same time as the new ESP rates went into effect  
9 to prospectively collect the difference between the  
10 approved ESP rates and the actual charges, actual  
11 rates charged to customers for that period of delay  
12 in 2012 basically. And that one-time rider would be  
13 in effect over the remainder of 2012 with a true-up,  
14 if needed, in the first quarter of 2013.

15 Q. Are you familiar with AEP's first ESP  
16 case?

17 A. Yes, I am.

18 Q. And in that case the PUCO didn't issue  
19 their order until after the January 1, 2009,  
20 deadline; is that right?

21 A. That's correct.

22 Q. And AEP continued to charge customers  
23 under the old rates, the rates that were in effect on  
24 December 31st, 2008, correct, for the interim

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1 period?

2 A. That sounds correct to me, yes.

3 Q. And in that case how did the PUCO resolve  
4 the difference between the old rate and the new ESP  
5 rate?

6 A. The shortfall for the period of the delay  
7 was baked into base rates and certain riders during  
8 the balance of 2009.

9 Q. What's the difference between how the  
10 PUCO handled that case and how you're proposing in  
11 this case?

12 MR. SATTERWHITE: Objection. Go ahead.

13 A. The difference is purely a mechanical  
14 one. Rather than to bake that difference into basic  
15 rates and certain riders for the remainder of the  
16 year, to just isolate that difference in a single  
17 rider.

18 MR. ETTER: I have no more questions.  
19 Thank you.

20 THE WITNESS: Thank you.

21 ---

22 EXAMINATION

23 By Ms. McAlister:

24 Q. Good afternoon, Mr. Roush.

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1 revenue requirement in the case. So it's -- and I  
2 apologize for the use of scalars because there's  
3 another set of scalars that are also used that are  
4 basically doing the same thing, but just to set  
5 relative prices seasonally and on peak/off peak. But  
6 it's basically almost matrix math.

7 Q. And you mentioned the adjustments that  
8 you made uniformly based on the proposed generation  
9 increase. There's a number identified associated  
10 with that on your Exhibit DMR-2. Can you tell me how  
11 that number was derived?

12 A. Are you referencing the 65 million --

13 Q. Yeah.

14 A. -- approximate number?

15 Q. That's right.

16 A. Okay. Basically, that number was, if you  
17 look at the line right above it, our current base G  
18 revenues, which is basically what our generation  
19 revenues would have been in 2012 under current rates,  
20 we -- the 65,255,250 is basically the amount of the  
21 increase that we were seeking in this proceeding for  
22 2012.

23 Q. And then you've talked a little bit  
24 already about what's in the current rates including

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1 A. Good afternoon.

2 Q. I'm Lisa McAlister here on behalf of OMG  
3 Energy Group. I have just a few follow-up questions  
4 at this point.

5 On page 9 of your testimony you talk  
6 about the rate design and how it was developed, and  
7 you explain that you use the competitive benchmark  
8 price from Ms. Thomas and then you determine a  
9 relationship. Can you please explain what the  
10 relationship is?

11 A. Sure. Basically, the competitive  
12 benchmark price information was to give me relative  
13 price information for each of the various customer  
14 classes. Once I had that information it was almost  
15 used like a scalar to say, well, if I just apply  
16 those prices to AEP-Ohio's load, I'll come up with  
17 dollars X, and while dollars X is either -- would be  
18 either too high or too low relative to what we were  
19 seeking in this proceeding, and in this case it  
20 turned out too high, so then I uniformly scaled  
21 everything down.

22 So I'm maintaining the relative price  
23 relationships based on that competitive benchmark  
24 price, but I'm scaling it down to meet the requested

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1 the historical levels of cross-subsidization. Was  
2 your rate design necessary to address that issue, or  
3 could you have used some other different methodology  
4 for rate design in order to account for the  
5 historical cross-subsidization?

6 A. I'm sure there were a number of different  
7 ways that you could approach that, and we felt using  
8 market price relationships made the most sense.

9 Q. But actually the market concept that you  
10 used actually ignores the cost relationships and the  
11 historical inner-class subsidies, doesn't it?

12 A. It ignores them from the perspective of  
13 it says I don't care about how things were  
14 established in the past, this is the reasonable  
15 relationships that should be established today.

16 Q. You also mentioned in that same paragraph  
17 that you made some adjustments because you're  
18 proposing to merge the two operating companies or  
19 you're trying to account for the merging of those  
20 rate designs, but is the market type rate design that  
21 you elected to use again necessary in order to take  
22 the merger into account?

23 A. No. I kind of viewed them as two  
24 distinct issues. The merger's going on so, you're

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1 right, something potentially has to be done to merge  
2 the rates. The second issue is, well, what should  
3 the right rates be, and with or without the merger,  
4 and I think the market based price relationship kind  
5 of is the logical way to go even if there is no  
6 merger.

7 Q. Okay. But you could have used the  
8 current rate structure or rate design even with the  
9 merger; is that correct?

10 A. I hate to say "maybe," but kind of. If  
11 we tried to maintain kind of the current rate  
12 designs, there would be a number of issues because  
13 the two sets of rates for each company do not align  
14 very well. For example, the large industrial rate  
15 for Ohio Power is for customers 8,000 kW and above,  
16 the large industrial rate for Columbus Southern is  
17 like a thousand kVA and above, so there would have  
18 been other challenges.

19 Q. Okay. And on page 10, beginning on line  
20 9 you say that "This realignment of rates with market  
21 should provide all customers with equivalent  
22 opportunities to shop." Is that a goal of the ESP?

23 A. The realignment of rates is absolutely a  
24 goal. The providing all customers with equivalent

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1 opportunities to shop I think is just a benefit of  
2 our proposal.

3 Q. I couldn't tell if you were finished.  
4 I'm sorry.

5 A. Yeah. I'm done.

6 Q. Okay. If you know, are there currently  
7 classes or groups of customers that you believe don't  
8 have an equivalent opportunity to shop?

9 A. Yes. In particular for Ohio Power I can  
10 think of three tariffs that have customers that  
11 really probably have virtually no opportunity to  
12 shop, they are kind of previous end-use tariffs:  
13 Electric heated schools, electric heating general,  
14 and school service that have been in the process of  
15 elimination for 20, 30 years but are very, very  
16 low-priced tariffs. So I would say they probably  
17 have virtually no opportunity to shop currently.

18 Q. Would the rate realignment change that?

19 A. Yes. Yes. For those customer classes  
20 we'll see increases in the standard of service offer  
21 prices over time which should ultimately lead to them  
22 having a prospect of being able to shop.

23 MS. McALISTER: I think that's all I  
24 have. Thank you, Mr. Roush.

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1 THE WITNESS: Thank you.

2 ---

### 3 EXAMINATION

4 By Ms. Kaleps-Clark:

5 Q. Okay. I have a couple of quick questions  
6 if you can see me over here. My name is Lija  
7 Kaleps-Clark. I'm here on behalf of Constellation,  
8 Compete, P3, Exelon, and RESA.

9 I just wanted to start with a couple of  
10 questions on the rate security rider and eliminated  
11 participation. Specifically looking at the tariff  
12 sheet on that in DMR-5, I'll let you get to it.

13 A. Thank you. I'm there.

14 Q. Okay. You've listed certain SIC codes  
15 that are restricted from RSR eligibility, it was  
16 about 20 listed here. I'm just wondering, what types  
17 of groups are excluded with this exclusion?

18 A. Generally, residential would be one  
19 group.

20 Q. I mean --

21 A. A lot of basic retailers type, you know,  
22 groceries and department stores and those kinds of  
23 entities would generally be excluded.

24 Q. And so would agricultural type groups be

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1 excluded?

2 A. Bear with me for just one second, I'm  
3 trying to find my list of SIC codes.

4 Yes, agricultural is one of the SICs  
5 that's excluded. Sorry.

6 Q. That's all right. What was the company's  
7 rationale in limiting the availability of the RSR to  
8 these specific industrial and commercial groups?

9 A. In general our rationale was trying to  
10 focus this on SIC codes that -- or, focus this on SIC  
11 codes that would be eligible to areas like  
12 manufacturing or other areas where there is some  
13 potential for economic development benefit.

14 Q. Okay. So it's an economic development  
15 benefit that was the basis of the distinctions?

16 A. That was generally the kind of criteria  
17 we were using to select which SIC codes would or  
18 would not be eligible. We were trying to exclude  
19 from eligibility SIC codes that were related to areas  
20 that were really not conducive to economic  
21 development.

22 Q. Okay. And we also discussed earlier or  
23 it was discussed earlier some of the limitations, for  
24 example, to be able to participate you have to have

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1 demands of greater than 200 kilowatts and there's  
 2 also the aggregate limit of 2,500 gigawatt-hours,  
 3 correct, in the rider?  
 4 A. That's correct.  
 5 Q. Are there any corresponding similar  
 6 eligibility restrictions on maximum demand or usage  
 7 of individual customers?  
 8 A. No, there are not.  
 9 Q. Just that? Okay.  
 10 And, again, the discount you said applies  
 11 to the GSR, correct?  
 12 A. That's correct.  
 13 Q. And so it doesn't have any effect on the  
 14 fuel adjustment clause?  
 15 A. That's correct.  
 16 Q. And no effect on the generation resource  
 17 rider?  
 18 A. That's correct.  
 19 Q. And no effect on the EICCR?  
 20 A. That's correct.  
 21 Q. I'm not going to say that one in full.  
 22 Okay. I have a couple other questions  
 23 about the market transition rider.  
 24 A. Sure.

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1 Q. With this rider, assuming the market  
 2 transition rider is in place, how will this affect  
 3 the calculation of the price to compare in a  
 4 customer's bill?  
 5 A. The market transition rider would not be  
 6 part of the price-to-compare calculation.  
 7 Q. Okay. So, for example, if a customer was  
 8 part of a customer class that got a credit, a market  
 9 transition rate credit, that wouldn't show up on the  
 10 price to compare in the bill?  
 11 A. That's correct, to the extent prices to  
 12 compare are shown on bills, and I'm not sure it's on  
 13 all bills.  
 14 Q. Right. But if it was.  
 15 A. If it were, the price to compare would  
 16 not include the market transition rider whether it  
 17 was a credit or a charge.  
 18 MS. KALEPS-CLARK: Okay. Those are all  
 19 the questions I have. Thank you.  
 20 THE WITNESS: Thank you.  
 21 ---  
 22 EXAMINATION  
 23 By Mr. Poulos:  
 24 Q. Good afternoon.

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1 A. Good afternoon.  
 2 Q. I am Greg Poulos from EnerNOC. I have a  
 3 couple of questions about the emergency curtailment  
 4 service rider.  
 5 MR. LANG: I knew it.  
 6 Q. Have you got that in front of you?  
 7 A. Not yet.  
 8 Q. I have a copy if you need it, but I saw  
 9 you were looking at one earlier.  
 10 A. Yeah. I have it.  
 11 Q. Great. Are you aware of any other  
 12 AEP-Ohio witnesses that are testifying regarding this  
 13 rider?  
 14 A. Not in this proceeding.  
 15 Q. And this rider, there are two  
 16 different -- there's a Columbus Southern Power and  
 17 there's an Ohio Power Company rider, correct?  
 18 A. Yes.  
 19 Q. They're both the same, though.  
 20 A. Yes.  
 21 Q. Okay. There aren't any differences  
 22 between the two, right?  
 23 A. There might be -- I don't see any at the  
 24 moment, but there might be some slight differences as

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1 far as dealing with some customers are kW versus kVA  
 2 metered between the two companies or something, but  
 3 they're pretty trivial if there are any.  
 4 Q. Is there a ECS rider, I'll call it, an  
 5 ECS rider currently in place for AEP-Ohio?  
 6 A. Yes. Both of the companies currently  
 7 have an ECS rider that's been there for some time and  
 8 structured significantly differently from the current  
 9 one. From the proposed one, rather.  
 10 Q. Are you aware if there's any customers  
 11 signed up under the current version of the rider?  
 12 A. To my knowledge, there are no customers  
 13 signed up under the current rider.  
 14 Q. Do you have an explanation for that or an  
 15 understanding of why that is?  
 16 A. Some -- the current rider was structured  
 17 more as a, for lack of a better word, pay as you go  
 18 type rider so customer only get paid if there is an  
 19 emergency event, and it was kind of constructed, I  
 20 believe it was constructed prior to our even being a  
 21 member of PJM so it was kind of constructed from a  
 22 different era, for lack of a better word. And the  
 23 other reason I would think would be because customers  
 24 find the PJM style emergency rider -- emergency

22 (Pages 85 to 88)

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1 option more attractive.

2 Q. And the ECS that's right now active or  
3 being part of the tariff only relates to AEP-Ohio.  
4 It doesn't allow for -- it doesn't provide for  
5 curtailment service providers or direct  
6 participation, that's separate, correct?

7 A. Yeah. Totally separate issue not  
8 addressed at all in the current ECS, yes.

9 Q. That's changed in the proposed rider,  
10 correct?

11 A. Yes.

12 Q. That goes to option 2 which was discussed  
13 a little bit earlier.

14 A. Yes. That's correct.

15 Q. And the reason for that is so that the  
16 commitment of the demand response can go towards  
17 AEP-Ohio and their need to meet the benchmarks?

18 A. I'd say, yeah, that's what option 2 is  
19 really addressing is that the current ECS was from,  
20 actually it predates even the peak demand reduction  
21 requirements of Senate Bill 221, and the new ECS is  
22 trying to recognize, one, that customers may want to  
23 participate in the PJM program, but that we really --  
24 we, AEP-Ohio, need the ability to be able to meet the

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1 peak demand reduction goals.

2 Q. And when you're talking about  
3 participating in the PJM programs, either under the  
4 current or under the proposed rider, it's going to be  
5 participating in the same programs, right? Whether  
6 you go through the AEP-Ohio option 1 or option 2,  
7 it's participating in the same programs.

8 A. Effectively, yes.

9 Q. Now, presently you can either be -- a  
10 customer could be participating through the ECS  
11 that's currently in existence or a customer could be  
12 doing this without the rider and be actually  
13 participating through a curtailment service provider  
14 like EnerNOC or directly, right?

15 A. Correct.

16 Q. And have you had any problems with the  
17 current model of letting curtailment service  
18 providers or companies go on their own?

19 A. No. The only issue is around the peak  
20 demand reduction requirement I think. I mean, we  
21 have philosophical differences, but that's no  
22 mechanical implementation type issues, no.

23 Q. Looking at the tariff and the last page  
24 of it where it talks about option 2, in the middle,

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1 in that provision 2 of option 2 --

2 A. Okay.

3 Q. -- going down to the fourth line, do you  
4 see where it talks about entering into the customer  
5 demand response resource commitment agreement? That  
6 agreement is not attached to the tariff you have  
7 there, is it?

8 A. That's correct, it's not attached.

9 Q. And I could find that, the one version I  
10 found of it was as part of the initial application in  
11 case -- in the case that was initially filed in 2010.

12 A. In the 10-2929 I think.

13 Q. No, it's --

14 A. No, that's not right, huh?

15 MR. LANG: It would be a different one.

16 Q. 10-343. That sound right?

17 A. I'm sure you're right, I'm just  
18 double-checking. Yes, you're correct, 10-343 and  
19 10-344.

20 Q. I'm going to hand you this exhibit which  
21 I'll have marked as EnerNOC Exhibit DR.

(EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Do you recognize this?

23 A. Actually, I don't know that I've ever  
24

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1 reviewed it.

2 Q. I was going to ask you, do you know who  
3 put this together?

4 A. No, I don't.

5 Q. Do you remember discussing any of the  
6 terms of this agreement? Let me ask you more  
7 specifically.

8 A. I'm sure I was probably on a call at some  
9 point discussing this, and I just don't remember  
10 seeing the document.

11 Q. Let me start by asking you just about  
12 some of the provisions. Looking at the penalty on  
13 No. 5, the Penalty provision, would you read it over  
14 and let me know when you're done.

15 A. Okay, I've read it.

16 Q. Do you see starting on the second line at  
17 the end, "... Customer shall be responsible for  
18 payment of any payment or forfeiture assessed against  
19 AEP Ohio due to AEP Ohio's failure to comply with its  
20 yearly statutory demand reduction target as a result  
21 of Customer's failure to curtail ..."? Do you see  
22 that language?

23 A. Yes, I do.

24 Q. Is that language in the option 1, to your

23 (Pages 89 to 92)

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1 understanding, of the ECS rider?

2 A. No, I do not believe so. I think there's  
3 just a failure to curtail charge that's not -- a  
4 noncompliance charge which is different than this  
5 charge.

6 Q. Why wouldn't this component, this  
7 penalty, be a part of option 1 as it is option 2?

8 MR. SATTERWHITE: I'll object just in  
9 general to questions on the document, but go ahead.

10 A. Having just reviewed this the only -- the  
11 rationale I can think is that the noncompliance  
12 charge that was in option 1 was viewed to be  
13 sufficient.

14 Q. Okay. If there were changes that need to  
15 be made to this document -- strike that.

16 If AEP-Ohio wanted to make changes to  
17 this document, who would make the changes?

18 A. I think it would be a group of folks  
19 within Regulatory and the DSM area working with  
20 counsel and then, I'm not sure, but possibly filing  
21 for approval at the Commission.

22 Q. And is there any policy or explanation on  
23 how or why a change would be made to this document?

24 A. Not that I'm aware of.

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1 Q. Okay. One other question. If you look  
2 at the middle of No. 1, the Customer Commitment, you  
3 see right -- I guess the sixth line down right in the  
4 middle it says "Customer agrees."

5 A. Okay, I'm there.

6 Q. "Customer agrees to report Customer's  
7 curtailment commitment as AEP Ohio deems necessary  
8 and agrees to comply with any reporting required by  
9 the PUCO." Do you see that?

10 A. Yes, I do.

11 Q. Who would make the determination on what  
12 AEP-Ohio deems necessary?

13 A. It would be a combination of AEP-Ohio  
14 Regulatory and AEP-Ohio's DSM folks.

15 Q. Is there any description of what type of  
16 information that may be requested from customers?

17 A. I don't know. My general assumption  
18 would be this is information that we need in order to  
19 report to the Commission for peak demand reduction  
20 purposes.

21 Q. Earlier you were asked some questions  
22 about the not less than 80 percent language for the  
23 demand charges.

24 A. Yes.

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1 Q. How did AEP-Ohio arrive at the language  
2 of not less than 80 percent? Why not some other  
3 number, say 70 percent?

4 A. I think it was pretty much a judgment  
5 call on behalf of, you know, the company as far as  
6 what was a reasonable balancing of giving credits to  
7 the customer while also ensuring that there were  
8 no -- that there were benefits for all customers as  
9 well. To the extent there were going to be costs of  
10 implementing this, managing this, administering it,  
11 we wanted to make sure that we could say -- we could  
12 show that the customers, well, that all AEP-Ohio  
13 customers benefited by offering this program.

14 Q. Just a way of asking the question; why  
15 not 100 percent? Really what I'm getting to, what  
16 are AEP's costs that are being built in to make it  
17 anything less than a hundred percent?

18 A. I don't know that we've computed specific  
19 costs, but in general the costs would be, you know,  
20 the ongoing administration, billing/crediting  
21 verification, and any systems that would be used to  
22 implement this.

23 Q. Is there any documentation to support the  
24 80 percent figure that is used?

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1 A. Not that I'm aware.

2 Q. Can you identify any person who was  
3 involved besides you? Let me strike that.

4 Were you involved in determining the  
5 80 percent figure?

6 A. Yes.

7 Q. And who else was involved, if anyone?

8 A. It would have been a dialogue among  
9 myself, Legal, AEP-Ohio Regulatory, and AEP-Ohio DSM  
10 folks.

11 Q. You talked earlier about why a customer  
12 may get more than 80 percent. Are you aware of any  
13 procedures or guidelines that would be followed to  
14 set that price?

15 A. I'm not aware of any.

16 Q. Okay. And who would negotiate that  
17 percentage on behalf of AEP-Ohio?

18 A. It would be the combination of AEP-Ohio  
19 Regulatory and AEP-Ohio DSM folks.

20 Q. Would these agreements that are signed in  
21 different percentages, whether it's 80 percent or  
22 higher, would they be available to other parties to  
23 see?

24 A. I don't know. I guess I would assume

24 (Pages 93 to 96)

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1 there would be some confidentiality issues as far as  
2 individual customer information.

3 Q. Jumping to a different discussion a  
4 little bit at least. AEP-Ohio currently has an  
5 interruptible service offering, correct?

6 A. Yes, schedule IRP-D.

7 Q. And do you have an opinion as to which  
8 program is more beneficial to participating  
9 customers, and I'm going to ask this three ways,  
10 participating customer, to other customers, and to  
11 AEP-Ohio. So, first, do you have an opinion as to  
12 which program is more beneficial to the participating  
13 customer, the IRP or the PJM demand response offering  
14 which would be the ECS?

15 A. It depends.

16 MR. SATTERWHITE: Objection. Go ahead.

17 A. It depends. The two offerings are  
18 somewhat different in that schedule IRP-D includes  
19 not just emergency curtailments but also  
20 discretionary or economic type curtailments, whereas  
21 schedule ECS, the proposed schedule ECS is purely an  
22 emergency curtailment type provision so they're not  
23 exactly apples to apples. So it's really hard for me  
24 to say. I think it's going to depend on the

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1 individual customer's circumstances which one they  
2 would view as more attractive.

3 Q. Do you have an opinion as to which  
4 program is more beneficial to other nonparticipating  
5 customers in AEP-Ohio's territory?

6 MR. SATTERWHITE: Objection.

7 A. Again, it depends. I think they both are  
8 beneficial. There are some additional benefits of  
9 schedule IRP-D related to the economic/discretionary  
10 provisions, but those are also kind of reflected in  
11 schedule IRP-D's discount, so it's really hard to  
12 compare the two and say one's more or less  
13 beneficial.

14 Q. I'm referring to customers who aren't  
15 involved in it.

16 A. Yes.

17 Q. So customers --

18 A. Yes. It really is hard to say for the  
19 nonparticipants which one is more beneficial.  
20 They're both beneficial. Schedule IRP-D provides  
21 additional benefits, but may provide -- those  
22 corresponding benefits come at a corresponding higher  
23 cost potentially.

24 Q. What are the benefits between the two

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1 programs?

2 A. The benefits of the two programs are  
3 clearly meeting the peak demand reduction goals, the  
4 other benefit is, you know, kind of from a long-term  
5 capacity planning standpoint as far as FRR needs or  
6 capacity resource needs. With the economic provision  
7 of schedule IRP-D or the discretionary provision of  
8 schedule IRP-D it also has the potential to lower  
9 fuel costs for all customers by those customers if  
10 they choose not to consume at times of high market  
11 prices. So those are the main benefits.

12 Q. Are you familiar with FERC's recent  
13 decision on demand response compensation March  
14 15th?

15 A. Only barely. It's a devil to keep up  
16 with everything going on at FERC.

17 Q. Yes. Absolutely. Would you agree that,  
18 well, are you familiar with the cost allocation part  
19 of the ruling where the cost allocation will no  
20 longer be just the -- the cost allocation demand  
21 response will no longer be just that LSE but would be  
22 allocated to anyone who benefits?

23 A. Just vaguely. I really haven't been able  
24 to focus much on that.

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1 Q. Just let me know if you can't answer  
2 this, but how would that, if the cost allocation  
3 changes from being just to the LSE that provides a  
4 demand response to all those who benefit, how would  
5 that affect AEP-Ohio's demand response? Would it  
6 have any effect on AEP-Ohio's demand response  
7 program?

8 MR. SATTERWHITE: Objection.

9 A. I may be mistaken, but I think the cost  
10 allocation is really focused more on the economic  
11 type curtailment, not the emergency. So it would  
12 have no impact on the ECS whatsoever. And I don't  
13 know that it would have much, if any, impact on the  
14 IRP-D.

15 Q. Last question. Do you have an opinion as  
16 to which of the two programs, IRP-D or the ECS, is  
17 more beneficial to AEP-Ohio?

18 A. That's a tough one because you can define  
19 "more beneficial to AEP-Ohio" a number of ways. In  
20 terms of financially, I would say we're probably  
21 agnostic. In terms of operationally, schedule IRP-D  
22 gives us a little bit more operational flexibility  
23 because of the discretionary provision. I think  
24 that's about it.

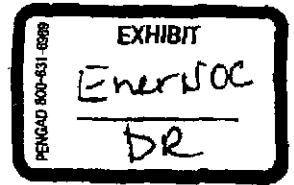
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1 MR. POULOS: Okay. Thank you.  
 2 THE WITNESS: Sure.  
 3 MR. POULOS: No further questions.  
 4 MR. LANG: Anyone still on the phone?  
 5 Going once. Going twice.  
 6 MS. HAND: I'm here.  
 7 MR. LANG: There's somebody.  
 8 MR. SATTERWHITE: Was that Tami?  
 9 MS. HAND: Emma.  
 10 MS. TURKENTON: Tami is still here, but I  
 11 have no questions.  
 12 MR. LANG: Does anyone have questions?  
 13 No? I think we're done.  
 14 (The deposition concluded at 5:08 p.m.)  
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1 CERTIFICATE  
 2 State of Ohio :  
 3 : SS:  
 4 County of Franklin :  
 5 I, Maria DiPaolo Jones, Notary Public in and  
 6 for the State of Ohio, duly commissioned and  
 7 qualified, certify that the within named David M.  
 8 Roush was by me duly sworn to testify to the whole  
 9 truth in the cause aforesaid; that the testimony was  
 10 taken down by me in stenotypy in the presence of said  
 11 witness, afterwards transcribed upon a computer; that  
 12 the foregoing is a true and correct transcript of the  
 13 testimony given by said witness taken at the time and  
 14 place in the foregoing caption specified and  
 15 completed without adjournment.  
 16 I certify that I am not a relative, employee,  
 17 or attorney of any of the parties hereto, or of any  
 18 attorney or counsel employed by the parties, or  
 19 financially interested in the action.  
 20  
 21 IN WITNESS WHEREOF, I have hereunto set my  
 22 hand and affixed my seal of office at Columbus, Ohio,  
 23 on this 9th day of August, 2011.  
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**Exhibit C**  
**Customer Demand Response**  
**Resource Commitment Agreement**

**CUSTOMER DEMAND RESPONSE**  
**RESOURCE COMMITMENT AGREEMENT**

This Customer Demand Response Resource Commitment Agreement ("Agreement") is entered into by and between either Columbus Southern Power Company or Ohio Power Company ("AEP Ohio") and [REDACTED] ("Customer").

In consideration of the mutual covenants, terms and conditions set forth herein, AEP Ohio and Customer hereto agree as follows:

1. **CUSTOMER COMMITMENT.** Customer represents that it is a participant in the PJM Demand Response Programs (DRPs), and has an existing contract with a PJM-certified Curtailment Service Provider within AEP Ohio's service territory, for [REDACTED] MW of curtailable capacity. Through this Agreement, Customer commits its demand-response load to AEP Ohio in order to allow AEP Ohio to integrate this peak demand reduction capability into AEP Ohio's peak demand reduction programs. Customer agrees to report Customer's curtailment commitment as AEP Ohio deems necessary and agrees to comply with any reporting required by the PUCO. Customer further agrees to contact AEP Ohio within 24 hours when called upon by PJM to reduce load, and will notify AEP Ohio of its actual load reduction performed in response to PJM's directive. Customer also grants permission to AEP Ohio and the PUCO to measure and verify energy savings and/or peak-demand reductions resulting from customer-sited projects and resources. As its curtailment commitment through its AEP Ohio Contract, Customer has agreed to curtail in accordance with Customer's election in the PJM program upon request by PJM. AEP Ohio will base the Customer's demand response contribution on this amount.

2. **INCENTIVE.** Customer and AEP Ohio agree that Customer shall not receive any additional compensation or incentive from AEP Ohio in exchange for the Commission's approval of Customer's participation in the PJM DRP.

3. **TERM OF CONTRACT AND CANCELLATION.** Subject to cancellation upon 30 days notice by either party, this agreement shall be in effect for as long as Customer remains registered in the PJM DRP unless the Company's ECS Rider is cancelled, expired or amended without the consent of the Company.

5. **PENALTY.** In the event a curtailment event is called by PJM and Customer does not curtail load by the curtailable amount set forth in Customer's AEP Ohio Contract, Customer shall be responsible for payment of any payment or forfeiture assessed against AEP Ohio due to AEP Ohio's failure to comply with its yearly statutory demand reduction target as a result of Customer's failure to curtail, but not to exceed the PJM payment identified in Customer's Curtailment Service Provider Contract. The penalty provision set forth herein applies even if Customer would not face a penalty under Customer's Curtailment Service Provider Contract for failing to curtail load when called upon by PJM to do so.

6. **NOTICE.** All Notices relating to this contract must be effectuated in writing and sent by ordinary US mail, postage prepaid, to:

If to the Company at:

AEP Ohio Power Company  
Attn: AEP Ohio President  
850 Tech Center Drive  
Gahanna, Ohio 43230

If to the Customer at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. **MODIFICATION.** No modification of this Agreement is effective unless reduced to writing, signed by both parties.

8. **SUCCESSORS AND ASSIGNS.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and/or assigns, but Customer shall not transfer or assign any of the rights hereby granted to any non-affiliated third-party without the prior written consent of AEP Ohio.

**COLUMBUS SOUTHERN POWER COMPANY or  
OHIO POWER COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CUSTOMER:** \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

1 State of Ohio :  
2 County of \_\_\_\_\_ : SS:

3 I, David M. Roush, do hereby certify that I  
4 have read the foregoing transcript of my deposition  
5 given on Friday, August 5, 2011; that together with  
6 the correction page attached hereto noting changes in  
7 form or substance, if any, it is true and correct.

8 \_\_\_\_\_  
9 David M. Roush

10 I do hereby certify that the foregoing  
11 transcript of the deposition of David M. Roush was  
12 submitted to the witness for reading and signing;  
13 that after he had stated to the undersigned Notary  
14 Public that he had read and examined his deposition,  
15 he signed the same in my presence on the \_\_\_\_\_ day  
16 of \_\_\_\_\_, 2011.

17 \_\_\_\_\_  
18 Notary Public

19 My commission expires \_\_\_\_\_, \_\_\_\_\_.  
20 - - -

21 I do further certify that the said  
22 deposition was not examined,  
23 read or signed by the witness  
24 within the time allowed.

\_\_\_\_\_