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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of)
Columbus Southern Power Company and) Case Nos. 11-346-EL-SSO PUCO
Ohio Power Company for Authority to) 11-348-EL-SSO
Establish a Standard Service Offer)
Pursuant to § 4928.143, Ohio Rev. Code,)
in the Form of an Electric Security Plan.)

In the Matter of the Application of)
Columbus Southern Power Company and) Case Nos. 11-349-EL-AAM
Ohio Power Company for Approval of) 11-350-EL-AAM
Certain Accounting Authority.)

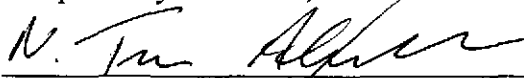
**FIRSTENERGY SOLUTIONS CORP.'S
NOTICE OF FILING DEPOSITION TRANSCRIPTS**

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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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *FirstEnergy Solutions Corp.'s Notice of Filing Deposition Transcripts* was served this 29th 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 Joseph Hamrock, 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 9:00 a.m.

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JOSEPH HAMROCK

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

EXAMINATION

By Mr. Lang:

Q. Mr. Hamrock, good morning.

A. Good morning.

Q. My name is Jim Lang. I'm an attorney
with Calfee, Halter and Griswold, and I'm
representing FirstEnergy Solutions. I'll be asking
you some questions this morning about AEP-Ohio's
electric security plan filing which I'm sure we will
fall into shorthand referring to it as the ESP or the
proposed ESP. If I use those terms, "ESP" or
"proposed ESP," will that be understandable to you?

A. It will mean the proposed ESP in each
case.

Q. Great. Have you had your deposition
taken before?

A. Yes.

Q. In what cases have you had your
deposition taken?

A. My recollection is in the 2009
significantly excessive earnings test case for

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employees and resources to the operating companies,
AEP-Ohio is comprised of Columbus Southern Power and
Ohio Power Company.

Q. And what is -- you say AEP-Ohio is
comprised of Ohio Power and Columbus Southern. What
actually is AEP-Ohio at this time?

A. I don't understand what you mean by what
is it.

Q. Is it a legal form? Is it a corporation
or some other legal form, AEP-Ohio?

A. AEP-Ohio? My understanding is Ohio Power
Company and Columbus Southern do business as
AEP-Ohio.

Q. Okay. As President and Chief Operating
Officer of AEP-Ohio does that mean you're President
and Chief Operating Officer of Columbus Southern and
Ohio Power?

A. Yes.

Q. Is your responsibility as President of
those companies to maximize profits for your
shareholders?

A. My responsibility ranges across a wide
number of objectives including delivering fair
returns to shareholders and serving customers with

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AEP-Ohio.

Q. Any others?

A. Not to my recollection.

Q. The number one helpful instruction for a
deposition, which hopefully you remember from the
last time, is answers have to be in full words, "yes"
and "no." "Uh-huh" and those kind of statements
transfer very poorly on the transcript.

A. I understand.

Q. So we'll try to keep track of those.

I'll be asking you a series of questions.

If I ask you a question that you do not understand,
will you please tell me that you do not understand it
because we want to make sure that the question and
the answer are clear on the record? Do you agree?

A. I agree that I will ask to clarify the
question, yes.

Q. Thank you.

Your position is -- in your testimony you
say you're employed by American Electric Power
Service Corporation. How is that related to
AEP-Ohio?

A. American Electric Power Service
Corporation is a service company that provides

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fair and predictable rates as well as reliable
service.

Q. So is your objective as President to
provide a fair return to shareholders and not to
maximize return to shareholders?

A. I believe I answered the question.

Q. What's the answer?

A. To provide a fair return to shareholders
and to balance the needs of customers and other
stakeholders.

Q. So you would agree that your objective is
not to maximize return to shareholders.

A. No.

Q. You would not agree with that. And so
your objective is to maximize return to shareholders?

A. In an overall framework that -- yes, in
an overall framework that balances the needs of
customers and other stakeholders.

Q. Is the objective of the electric security
plan filed by AEP-Ohio to maximize return for
shareholders?

A. It's the same answer; to provide balanced
outcomes for customers and shareholders and also to
meet the policy objectives of the state.

2 (Pages 5 to 8)

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1 Q. Is AEP-Ohio and the operating companies
2 of AEP-Ohio, do they have a fiduciary relationship
3 with ratepayers?

4 MR. NOURSE: I object to the form of the
5 question and to the term "fiduciary" and whether that
6 has any legal implications.

7 Q. You can answer the question.

8 A. Yeah. I'm thinking about the question.
9 Not in the sense that you describe it.

10 Q. In what sense, then?

11 A. As a fiduciary responsibility with my
12 understanding of that being a legal term.

13 Q. How do you view your responsibility to
14 ratepayers?

15 A. To provide reliable and predictable
16 electric service under the framework that the state
17 has created and to be concerned with the economic
18 vitality of the service territory that AEP-Ohio
19 serves.

20 Q. Is one of your responsibilities as a
21 witness for AEP-Ohio to offer an opinion as to
22 whether the proposed ESP, including its pricing and
23 all its terms and conditions, is more favorable in
24 the aggregate as compared to the expected results

1 compared to an MRO, do you agree that you should
2 attempt to use the best estimate of what those costs
3 are or will be during the ESP period?

4 A. For the best estimate of the costs
5 related to what provision of the MRO test?

6 Q. The costs of the ESP and the costs of the
7 MRO.

8 MR. NOURSE: I would object just to the
9 extent it's beyond the scope of his testimony. He
10 didn't indicate he was the witness that's doing the
11 actual MRO test. He was responsible for the overall
12 case and saying that that was met.

13 A. Could you repeat the question, please?

14 Q. Let's start back at the beginning. I'm
15 asking is it reasonable when you're comparing the
16 costs of an ESP, the proposed ESP, to an MRO to use
17 the best estimate of costs that exist or will exist
18 during the term of the ESP period?

19 A. The MRO test in the aggregate considers a
20 number of factors including costs, the costs of the
21 ESP and the costs of the comparable MRO option, and I
22 believe it is important to use the most appropriate
23 costs on both sides of the test and in all other
24 factors that the test considers.

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1 from an MRO?

2 A. Yes.

3 Q. Is there a place in your testimony where
4 you provide a summary of that opinion?

5 A. May I refer to my testimony?

6 Q. Absolutely. Yeah, we'll be doing that a
7 few times this morning.

8 A. Yes.

9 Q. On what page and lines, please?

10 A. In the Q and A beginning on page 40, it
11 starts on line 17 asking to summarize my testimony, a
12 number of references to how the ESP balances
13 interests, and specifically in line 6 of page 41,
14 "The proposed ESP best serves the public interest by
15 offering a price that is favorable to the comparable
16 MRO, offers financial stability, continues the
17 emphasis on energy efficiency and renewable supplies
18 and aligns to Ohio policy in Section 4928.02, Ohio
19 Revised Code, that benefit AEP Ohio customers."

20 Q. When comparing the proposed ESP to an
21 MRO, did you consider the ESP's pricing and all other
22 terms and conditions?

23 A. Yes.

24 Q. When estimating the cost of an ESP as

1 Q. So when we're doing this comparison of
2 the ESP to the MRO, it's similar to a ledger where
3 you have the ESP on one side, the MRO on the other
4 and you're looking at both sides of that ledger and
5 seeking to determine which side will be more
6 favorable to customers; is that correct?

7 A. I would refer to Witness Thomas for that
8 type of determination relative to the test. That's
9 beyond the scope of my involvement.

10 Q. Did you rely on her testimony in forming
11 your opinion that the ESP is more favorable in the
12 aggregate than the MRO?

13 A. Yes.

14 Q. I want to ask first about the pricing
15 elements which -- well, let me ask you, did you rely
16 on Laura Thomas's testimony with regard to the
17 pricing elements that you considered when comparing
18 the ESP to an MRO?

19 A. I relied on Witness Thomas's testimony
20 for the MRO test.

21 Q. So that would be -- so you relied on
22 Witness Thomas's testimony both for the pricing
23 elements and all other terms and conditions of the
24 ESP as compared to the expected results of an MRO; is

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1 that correct?
 2 A. No. I believe that the case in total
 3 should be relied upon, the presentation of all of the
 4 witnesses in considering the MRO versus the ESP.
 5 Witness Thomas presents the quantitative analysis of
 6 the pricing options on both sides of the quantitative
 7 part of that test.
 8 Q. Okay. So with regard to the quantitative
 9 analysis and focusing on the quantitative analysis,
 10 you relied on Witness Thomas's quantitative analysis
 11 that compared the ESP price to the MRO price; is that
 12 correct?
 13 A. Yes.
 14 Q. Okay. Did you separately perform your
 15 own analysis or did you solely rely on Witness
 16 Thomas's quantitative analysis?
 17 A. I solely relied on Witness Thomas's
 18 analysis for that portion of the test.
 19 Q. Do you know what pricing components of
 20 the ESP Witness Thomas included in her quantitative
 21 analysis of the ESP?
 22 A. I don't recall.
 23 Q. Do you know whether she included the
 24 environmental compliance costs as a cost of the ESP?

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1 A. I don't recall.
 2 Q. Do you know whether she included the
 3 generation resource rider as a component of the ESP?
 4 A. I don't recall the components that she
 5 included.
 6 Q. Okay. Do you know whether she included
 7 the facility closure cost recovery rider in her
 8 quantitative analysis of the ESP?
 9 A. I don't recall.
 10 Q. I just have a few more to ask you. Do
 11 you know whether she included the carbon capture and
 12 sequestration rider as a cost of the ESP?
 13 A. I don't recall.
 14 Q. Do you know whether she included the
 15 generation NERC compliance cost recovery rider as a
 16 component of the ESP?
 17 A. No.
 18 Q. Do you know whether she included the
 19 distribution investment rider as a cost component of
 20 the ESP?
 21 A. No.
 22 Q. Do you know whether she included the pool
 23 termination or modification provision as a cost
 24 component of the ESP?

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1 A. No.
 2 Q. Do you know whether she included the base
 3 generation rate or the FAC, the fuel adjustment
 4 charge, as components of the ESP?
 5 A. I don't recall.
 6 Q. Do you recall or do you know of any of
 7 the price components that Witness Thomas used in her
 8 quantification of the ESP?
 9 A. I don't recall the specific details of
 10 the components that she included in her presentation
 11 of the MRO test.
 12 Q. Do you have a general understanding of
 13 the components she used in quantifying the ESP?
 14 A. I have a general understanding, yes.
 15 Q. What is that understanding?
 16 A. That the ESP as presented in the case is
 17 compared to the comparable market rate offer over the
 18 period of the ESP.
 19 Q. And in your testimony you're relying on
 20 Witness Thomas's decisions as to which pricing
 21 elements should be or should not be included in that
 22 ESP quantification; is that right?
 23 A. For the pricing comparison part of the
 24 MRO test, that's correct.

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1 Q. Stepping away from the price comparison
 2 that Witness Thomas prepared, in forming your opinion
 3 as to whether the ESP and its pricing and all terms
 4 and conditions is more favorable in the aggregate
 5 than the expected results of an MRO, what other terms
 6 and conditions, other than price, did you take into
 7 consideration?
 8 A. I address that in testimony. It offers a
 9 price that's favorable, as you have indicated, offers
 10 financial stability, continues the emphasis on energy
 11 efficiency and renewable supplies, and aligns to Ohio
 12 policy.
 13 Q. Okay. So in your testimony, other than
 14 price, you've identified as other terms and
 15 conditions financial stability, emphasis on energy
 16 efficiency and renewable supplies, aligning to Ohio
 17 policy in 4928.02, so that's three. Are there any
 18 other terms and conditions that you took into
 19 consideration in forming your opinion?
 20 A. By "terms and conditions" what do you
 21 mean?
 22 Q. Of the ESP. Terms and conditions of the
 23 ESP.
 24 A. It goes on to say in my testimony that it

4 (Pages 13 to 16)

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1 provides projects and programs benefiting customers,
2 attempting to maintain an investment climate that
3 attracts capital to support the long-term investment
4 needs of the state, and, in my opinion, most
5 importantly, the proposed ESP promotes economic
6 development and expands support for low-income
7 customers.

8 Q. In addition to what you have just
9 identified are there any other terms and conditions
10 that you considered in comparing the proposed ESP to
11 the expected results of an MRO?

12 A. Not specifically.

13 Q. With regard to your testimony where it
14 says the ESP provides projects and programs that
15 benefit customers, what projects and programs are you
16 referring to?

17 A. My testimony in other areas describes the
18 approach that AEP-Ohio has presented for developing
19 renewable resources in the state. The Turning Point
20 Solar Project, for example, is one that we've
21 positioned to attract new manufacturing jobs and
22 develop large-scale solar facilities as a resource to
23 comply with state policy but in a way that attracts
24 new investment beyond simple market based compliance.

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1 Q. Are there any other projects and programs
2 that you're referencing in that statement there on
3 page 41, line 11?

4 A. There may be. I don't recall specifics
5 right now.

6 Q. On the next line you refer to maintaining
7 an investment climate that attracts capital. To what
8 specifically are you referring in the ESP that you
9 believe accomplishes that objective?

10 A. We have proposed a number of elements in
11 the ESP including the distribution investment rider
12 that would promote capital investment and support
13 capital investment in the distribution business, the
14 pricing profile that supports sustained generation
15 investment in the AEP-Ohio fleet in the state, those
16 are two key areas.

17 Q. And by "pricing profile," are you
18 referring to the nonbypassable generation related
19 riders that are included in the ESP?

20 A. I'm referring to those riders and the
21 overall ESP plan itself. Not just those riders.

22 Q. So when you refer to the overall ESP plan
23 itself, what, in addition to those riders, do you
24 mean?

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1 A. The pricing components. The structure of
2 the ESP is designed to ensure continued attraction of
3 capital to investment in the state for critical
4 generating resource needs.

5 Q. So is it a combination of the base
6 generation charge, the fuel adjustment charge, and
7 the generation related riders?

8 A. It's a combination of all of the
9 components of the ESP.

10 Q. When you're referring to maintaining an
11 investment climate that attracts capital, for
12 AEP-Ohio's purposes does that mean achieving a level
13 of revenue through all of the pricing components of
14 the ESP that puts AEP-Ohio in a position that it can
15 maintain its investment level and attract capital?

16 A. That's a part of it, yes.

17 Q. What other part would there be?

18 A. A framework that supports long-term
19 investment. The ESP pricing terms really only go 29
20 months, but some of the provisions that we've
21 requested would sustain investment for the life of
22 certain investments.

23 Q. Okay. So that would include, for
24 example, nonbypassable cost recovery of the Turning

Page 20

1 Point project for the life of the Turning Point
2 project.

3 A. That's a good example, yes.

4 Q. And that would also include nonbypassable
5 cost recovery of your environmental investments for,
6 well, for the life of the environmental investments
7 or the associated generating facility; is that
8 correct?

9 A. The nonbypassable environmental provision
10 is one of those provisions that would help us to
11 determine whether or not long-term investments in
12 environmental are prudent and make sense for the
13 business and for the customers.

14 Q. In your testimony, again on page 41, line
15 14, you refer to the ESP promoting economic
16 development. What are the specific provisions of the
17 ESP that you're referring to there?

18 A. There are a number. I've already
19 referenced the approach we've taken to developing
20 renewable resources. The pricing provisions
21 themselves promote economic development through
22 certainty, rate certainty. We have proposed the
23 AEP-Ohio Growth fund that provides shareholder funds
24 for economic development purposes throughout the

5 (Pages 17 to 20)

Page 21

1 service territory. And we've also proposed a rate
2 security rider that promotes economic development for
3 certain customers.

4 Q. Would you include the Partnership with
5 Ohio fund in that category or is that more in the
6 next statement that refers to expanding support for
7 low-income customers?

8 A. The Partnership with Ohio is the proposed
9 continuation and expansion of our support, our
10 current support, for low-income customers.

11 Q. Other than the Partnership with Ohio fund
12 is there something else that you would include in
13 your reference to expanding support for low-income
14 customers?

15 A. Not specifically.

16 Q. With regard to promoting economic
17 development you mentioned, I believe, the pricing
18 provisions, renewable energy provision, AEP-Ohio
19 Growth fund, rate security rider. Are there any
20 other provisions that promote economic development?

21 A. The plan in total I believe promotes
22 economic development because of the ability to
23 attract capital to the state as well in the business
24 itself, which is another form of economic

Page 22

1 development.

2 Q. Any other provisions that you can think
3 of?

4 A. Not specifically.

5 Q. Are there any terms and conditions other
6 than what we've just discussed over the last ten
7 minutes or so that you took into consideration when
8 comparing the ESP in the aggregate to the expected
9 results of an MRO?

10 A. Specific terms and conditions are
11 throughout the ESP. The ESP in total inclusive of
12 all the terms and conditions is what I considered in
13 reference to the MRO test.

14 Q. Other than the pricing analysis prepared
15 by Laura Thomas did you attempt to quantify any of
16 the benefits of the ESP that we've discussed this
17 morning?

18 A. Quantify in what sense? I'm not sure I
19 understand the nature of your question.

20 Q. Assign a dollar value.

21 A. Other than the things we've talked about,
22 attracting investment in the renewable space,
23 attracting investment to the distribution business,
24 setting up a framework that helps customers invest,

Page 23

1 not specific quantification other than what I've
2 already talked about.

3 Q. Now, you said other than, for example,
4 attracting capital. Have you assigned a dollar value
5 to the capital that you believe this ESP will
6 attract?

7 A. Not that I recall.

8 Q. Other than the pricing comparison
9 prepared by Laura Thomas is there any other provision
10 of the ESP to which you or any other AEP witness has
11 quantified by assigning a dollar value to the cost or
12 the benefit that you believe would be incurred as a
13 result of that provision in the ESP?

14 A. Not that I recall.

15 Q. With regard to compliance with advanced
16 energy, renewable energy, energy efficiency, and peak
17 demand reduction provisions of state law, would AEP
18 comply with those provisions under an MRO?

19 A. Yes.

20 Q. You had mentioned earlier the DIR. Am I
21 correct that's the distribution investment rider?

22 A. Yes.

23 Q. Okay. Is the DIR also -- let me start
24 that question over.

Page 24

1 Is AEP-Ohio requesting the Public
2 Utilities Commission approve the DIR as part of its
3 distribution case?

4 A. From my recollection, yes.

5 Q. If the Commission approves the DIR as
6 part of AEP-Ohio's distribution case, would that
7 provision be included as part of an MRO?

8 MR. NOURSE: I object. It's not clear
9 what you mean by "approve" and to what extent and how
10 that would be done in the AIR case.

11 Q. Let me see if I can ask it a little bit
12 better. Is it an objective of AEP-Ohio that the DIR
13 be approved by the Public Utilities Commission as
14 proposed in the distribution case?

15 A. That depends on the overall outcome in
16 the distribution case. That's just one part of the
17 distribution case.

18 Q. It's one component of the distribution
19 case. Is it an objective of AEP-Ohio that the DIR be
20 approved as one component of the distribution case?

21 MR. NOURSE: Again, I object. The
22 companies requested the DIR in both the ESP and the
23 AIR. It's not clear whether you're asking a
24 hypothetical if we withdrew it in the ESP and it got

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1 approved only in the AIR. It's not clear what you're
2 asking about. And it sounds like a legal issue,
3 ultimately, to me.

4 Q. Do you understand the question?

5 A. Not entirely. It's mixing cases so I'm
6 not sure whether you're asking about the DIR in
7 the --

8 Q. I'm asking you about the DIR that is in
9 the distribution rate case. Are you familiar with
10 the distribution rate case --

11 A. Yes.

12 Q. -- that AEP has filed?

13 A. Yes.

14 Q. And that is a separate case from the ESP?

15 A. That's correct.

16 Q. In the distribution rate case AEP-Ohio is
17 seeking approval of the DIR as one component of its
18 distribution rates, correct?

19 A. Yes.

20 Q. And is it one objective of AEP-Ohio to
21 obtain approval of the DIR as one component of its
22 distribution rate case?

23 A. It is a part of the distribution rate
24 case, so yes, it's an objective of AEP-Ohio.

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1 Q. If AEP were to obtain approval of the DIR
2 in the distribution case but the ESP were rejected by
3 the Commission and, as a result, AEP would instead
4 file a market rate option plan to satisfy the
5 standard service offer, in that situation the company
6 would still have the DIR under a market rate offer,
7 correct?

8 MR. NOURSE: I object. This is a
9 complex, you know, it's a compound question and a
10 complex hypothetical. I guess if you're asking how
11 it --

12 MR. LANG: Steve.

13 MR. NOURSE: -- relates back to the MRO
14 test --

15 MR. LANG: Steve, I'm okay with your
16 objection.

17 MR. NOURSE: -- he already stated that
18 it's beyond his testimony --

19 MR. LANG: Steve, you stated your
20 objection.

21 MR. NOURSE: -- how Ms. Thomas
22 implemented the MRO test.

23 MR. LANG: Steve, you stated your
24 objection. You stated your objection.

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1 MR. NOURSE: Now I'm finished.

2 MR. LANG: Your objection is compound.

3 MR. NOURSE: Yes, it is.

4 MR. LANG: That's a permitted objection.
5 We don't want to spend this morning arguing over
6 speaking objections where you're instructing the
7 witness on his answer.

8 MR. NOURSE: I'll object when I feel it's
9 appropriate, Jim.

10 MR. LANG: And in no way do I -- in no
11 way am I going to interfere with you stating a proper
12 professional objection. But if you're going to state
13 an unprofessional objection, that's a problem.

14 MR. NOURSE: Well, we may --

15 MR. LANG: Do we understand that, Steve?

16 MR. NOURSE: No. I disagree that --

17 MR. LANG: All right.

18 MR. NOURSE: -- I did anything like an
19 unprofessional objection. So I stated an objection
20 and you can proceed.

21 MR. LANG: Don't instruct the witness.
22 That's unprofessional.

23 Q. (By Mr. Lang) Can you answer the
24 question?

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1 A. Could you repeat the question, please?

2 MR. LANG: Can you read the question
3 back, please.

4 (Record read.)

5 A. I don't know that we would have that
6 series of events lead to that outcome.

7 Q. If the Commission rejects the proposed
8 ESP, will AEP-Ohio file an MRO?

9 A. It's impossible to know that.

10 Q. Okay. Have you developed any contingency
11 plans on behalf of AEP-Ohio relating to the
12 possibility of the Commission rejecting the ESP as
13 filed?

14 A. Not specifically.

15 Q. Are there any conditions that you are
16 aware of today that would cause AEP to file an MRO?

17 A. Not specifically.

18 Q. Do you know what costs AEP-Ohio is
19 seeking to recover through the EICCR?

20 A. What costs. It's the environmental
21 investment cost.

22 Q. Can you describe for me in what
23 particular environmental investment costs are
24 included in the EICCR?

7 (Pages 25 to 28)

Page 29

1 A. I can't describe the specific components.
 2 It's the investments in the AEP-Ohio fleet that are
 3 needed for compliance with EPA and other rules.
 4 Q. Are there any environmental investments
 5 that are not included in the EICCR?
 6 A. I don't know.
 7 Q. Will your environmental compliance costs
 8 increase in 2013 and '14 as compared to 2012?
 9 A. I don't know.
 10 Q. Has AEP-Ohio prepared projections of its
 11 environmental compliance costs going forward?
 12 A. We are continuously reviewing projections
 13 because the environmental rules are unsettled and
 14 dynamic, so there is not a point estimate that I
 15 could rely on.
 16 Q. Do your projections show that your
 17 environmental compliance costs will be higher in,
 18 say, 2014 as compared to 2012?
 19 A. Under certain scenarios that's quite
 20 possible. The scenarios are still unsettled and
 21 dynamic.
 22 Q. Is it possible that your environmental
 23 compliance costs will be lower in 2014 as compared to
 24 2012?

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1 A. There are a range of possibilities.
 2 Q. Is there a projection of environmental
 3 compliance costs that you are relying upon, you know,
 4 that you are relying upon as the president of
 5 AEP-Ohio in making your, you know, business
 6 determinations with regard to the company?
 7 MR. NOURSE: I object. It's an overbroad
 8 and vague question.
 9 A. It's a dynamic process that's
 10 continuously changing as the rules change.
 11 Q. Based on the projections that you've seen
 12 what do you believe will -- what do you believe will
 13 be the outcome of your environmental compliance costs
 14 on a going-forward basis, say, for the next five
 15 years?
 16 A. What do you mean by "outcome"?
 17 Q. Are they -- what will the costs be? Do
 18 you expect that they will increase or decrease over
 19 the next five years?
 20 A. Relative to?
 21 Q. Relative to today.
 22 A. To 2011?
 23 Q. Correct.
 24 A. Most scenarios point to increasing

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1 environmental costs, but, again, the rules are
 2 unsettled and the framework is unsettled.
 3 Q. What do you personally think will happen?
 4 A. I don't know.
 5 Q. What projections of environmental
 6 compliance costs are you including in your business
 7 plans?
 8 A. They're constantly changing.
 9 Q. What projections are included in today's
 10 business plan?
 11 A. I don't recall.
 12 Q. Do you have a business plan today?
 13 A. Yes, we have business plans.
 14 Q. For how many years going forward do you
 15 plan?
 16 A. We have multiple plan processes that look
 17 at the current year, the next year, and then as far
 18 out as ten years into the future and even beyond
 19 that, and it's a very dynamic process.
 20 Q. In your ten-year business plan does it
 21 include projections of environmental compliance
 22 costs?
 23 A. It does.
 24 Q. Do you know what those projections are?

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1 A. Again, it's changing constantly. The
 2 rules are unsettled. We are constantly revisiting
 3 the potential scenarios under U.S. EPA rules, and
 4 there's not a specific point.
 5 Q. But what's in your ten-year plan today?
 6 A. I don't recall.
 7 Q. Interesting.
 8 Do you know what the POLR charge is
 9 that's included in the proposed ESP?
 10 A. Do I know what the rate is?
 11 Q. Correct.
 12 A. I do.
 13 Q. What is the rate?
 14 A. My recollection is it's \$2.84 per
 15 megawatt-hour.
 16 Q. Do you understand that that \$2.84 per
 17 megawatt-hour is an estimate that is dependent, among
 18 other things, on Laura Thomas's estimate of the
 19 competitive benchmark price and the ESP price?
 20 A. I rely on Witness Thomas for that price.
 21 Q. Do you understand that if the competitive
 22 benchmark price is lower than what she has estimated,
 23 that the POLR charge will be higher?
 24 A. Meaning all other things the same?

8 (Pages 29 to 32)

Page 33

1 Q. Correct.
 2 A. All other conditions the same?
 3 Q. That's a fair statement, yes, all other
 4 things equal.
 5 A. That's my general understanding of the
 6 nature of the POLR charge, but there are a number of
 7 inputs to that mechanism.
 8 Q. Has AEP-Ohio performed a sensitivity
 9 analysis that shows the range of what the POLR charge
 10 may end up being under AEP's proposal?
 11 A. Not that I recall.
 12 Q. Is it possible that the POLR charge could
 13 be \$7 per megawatt-hour or more once -- if all other
 14 provisions of the ESP are approved by the Public
 15 Utilities Commission?
 16 A. I don't think so.
 17 Q. Why don't you think so?
 18 A. Because my understanding is it's a
 19 proposed rate that doesn't change during the term of
 20 the ESP.
 21 Q. So is it your understanding that the
 22 \$2.84 per megawatt-hour is the proposed POLR rate for
 23 the ESP?
 24 A. That's my understanding, yes.

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1 Q. Okay. The Partnership with Ohio fund,
 2 which you mentioned earlier, is that a potential
 3 total of \$14.5 million? I'll just stop there. Is
 4 that a potential of \$14.5 million?
 5 A. Over the term of the ESP?
 6 Q. Correct.
 7 A. That's the way it's proposed, yes.
 8 Q. And is that \$14-1/2 million contribution
 9 contingent on -- subject to any contingencies?
 10 A. My recollection is that the annual
 11 determination is tied to the prior year's
 12 significantly excessive earnings test benchmark.
 13 Q. So is it correct that the annual payment
 14 is only made if AEP's return on equity exceeds the
 15 mean of its comparable group as part of that SEET
 16 analysis?
 17 A. That's the way it's proposed, yes.
 18 Q. If AEP-Ohio's return on equity does not
 19 exceed the mean of the comparable group, then under
 20 the ESP that annual contribution will not be made; is
 21 that correct?
 22 A. That's the way it's proposed, yes.
 23 Q. Could AEP-Ohio continue to support
 24 low-income programs under an ESP as modified by the

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1 Commission?
 2 A. It's impossible to know that without
 3 knowing the modifications.
 4 Q. Could AEP-Ohio continue to support
 5 low-income programs for customers under an MRO?
 6 A. It's impossible to know that without
 7 knowing the provisions of the MRO.
 8 Q. Could AEP do that? I'm not asking would
 9 they, but could AEP do that, continue to support
 10 programs under an MRO?
 11 A. It's impossible to know the outcome of an
 12 MRO so it's impossible to know if AEP would be in a
 13 position to do that -- AEP-Ohio would be in a
 14 position to do that.
 15 Q. How would an MRO impact AEP-Ohio's
 16 position to support low-income programs?
 17 A. We don't -- I can't predict, can't know
 18 the financial health of AEP-Ohio under an MRO. I
 19 don't know that we'd have the potential to support
 20 low income at the level we have proposed under the
 21 ESP.
 22 Q. So AEP-Ohio has not run any projections
 23 or financial analyses to attempt to estimate the
 24 impact of an MRO on AEP-Ohio; is that correct?

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1 A. That's my understanding, yes.
 2 Q. If AEP-Ohio had performed any of those
 3 analyses or projections, as President of AEP you
 4 would be aware of that, wouldn't you?
 5 A. I would be.
 6 Q. The AEP-Ohio Growth fund, is that new
 7 under the proposed ESP?
 8 A. New relative to?
 9 Q. Is that something in place today or is
 10 it --
 11 A. No.
 12 Q. It's a new proposal as part of the ESP.
 13 A. Yes, it is.
 14 Q. Okay. Is that proposal also subject to
 15 the same contingency that the Partnership with Ohio
 16 fund is?
 17 A. Yes.
 18 Q. So it's based on the return on equity
 19 exceeding the mean of the comparable group.
 20 A. Yes.
 21 Q. What is the total amount of funds that
 22 could being contributed under the AEP-Ohio Growth
 23 fund?
 24 A. During the term of the ESP?

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1 Q. Yes, sir.

2 A. \$25 million.

3 Q. In your testimony you refer to
4 contributions through the AEP-Ohio Growth fund being
5 made to Jobs Ohio. Do you know what part of that
6 \$25 million would be contributed to Jobs Ohio?

7 A. No, and I don't know that any would be
8 contributed to Jobs Ohio. It's simply an example of
9 how the funds might be used.

10 Q. If the ESP is approved by the Commission
11 as proposed and AEP-Ohio's obligation to make a
12 contribution under the AEP-Ohio Growth fund is
13 triggered, so you satisfy the equity condition, who
14 would be making the determination as to where that
15 money goes?

16 A. AEP-Ohio working with partners in
17 economic development, regional entities, local
18 entities, state-level entities.

19 Q. Who would that be at the state level?

20 A. I don't know.

21 Q. Who are the individuals at AEP-Ohio who
22 would be responsible for that?

23 A. I would be along with others on the
24 AEP-Ohio team.

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1 Q. Why did you include Jobs Ohio in your
2 testimony as an option for those contributions?

3 A. AEP-Ohio has long supported economic
4 development entities throughout its service territory
5 and Jobs Ohio is simply another example of that kind
6 of support.

7 Q. The rate security rider that you
8 mentioned earlier, would AEP-Ohio offer a rate
9 security rider to customers under an MRO?

10 A. It's impossible to know that.

11 Q. So sitting here today you can't say
12 whether a rate security rider would be included as a
13 component of an MRO, correct?

14 A. Correct.

15 Q. Do you know whether CRES suppliers can
16 offer equal or better terms to qualifying customers
17 that are offered under the rate security rider?

18 A. Equal or better terms than?

19 Q. Than are proposed under the rate security
20 rider.

21 A. I don't know.

22 Q. How did AEP-Ohio develop the percentage
23 discounts that are offered under the rate security
24 rider?

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1 A. As a basic discount to lend economic
2 development support to some of the vulnerable
3 manufacturing and industrial customers in our service
4 territory.

5 Q. What economic development criteria must
6 those customers satisfy in order to qualify for the
7 rate security rider?

8 A. We haven't developed all the specific
9 criteria for eligibility, but it's based on new
10 investment and new job creation.

11 Q. So are you proposing that new investment
12 or new job creation will be a condition of receiving
13 the discounts in the rate security rider?

14 A. That's what I would expect.

15 Q. Are those conditions included in the rate
16 security rider filed with AEP's testimony -- with
17 AEP's application in January?

18 A. I believe Mr. Roush is the witness on
19 that. I don't recall the specifics in his testimony.

20 Q. And you don't recall the specifics of the
21 rate security rider itself and whether economic
22 development conditions are included in that rider.

23 A. My recollection is that it was targeted
24 at specific standard industrial classifications,

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1 specific classes of customers who we recognize look
2 for more stability and longer term pricing options to
3 help them make investment decisions in the state as
4 they consider all their other alternatives.

5 Q. Does AEP-Ohio support the economic
6 development rider recently proposed by the Commission
7 staff?

8 A. We support the overall idea behind it.
9 There are a number of provisions that we believe need
10 to be improved.

11 Q. Do you support the percentage discounts
12 in section A of that rider? Let me ask you first,
13 are you familiar with the specifics of the economic
14 development tariff that's been proposed?

15 A. I don't recall the specifics. I have
16 seen it, but I do not recall the specifics.

17 Q. Have you had discussions regarding the,
18 either the percentage discounts or the fixed pricing
19 that's proposed in that economic development tariff?

20 A. Discussions with?

21 Q. Discussions with other AEP employees.

22 A. Some, yes.

23 Q. If the economic development rider
24 proposed by staff is approved in its current form,

10 (Pages 37 to 40)

Page 41

1 would that supplant the rate security rider that's
2 included in AEP-Ohio's ESP?

3 A. I don't know.

4 Q. Have you compared the discounts in the
5 rate security rider to the economic development
6 tariff proposed by Commission staff?

7 A. No.

8 Q. You mentioned that Turning Point facility
9 earlier, and I believe you said that the
10 opportunities associated with that project are the
11 result of AEP-Ohio's compliance with Ohio's renewable
12 portfolio standard. Is that correct?

13 A. Yes.

14 Q. Does the Turning Point facility satisfy
15 statutory requirements for obtaining a nonbypassable
16 surcharge in an ESP?

17 MR. NOURSE: Objection. That's a legal
18 question.

19 Q. You can answer if you can.

20 A. I'm advised by counsel that it does.

21 Q. Are you familiar with the conditions in
22 state law that must be satisfied in order to obtain a
23 nonbypassable surcharge to recover the cost of a new
24 generation facility?

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1 A. Not the specific conditions.

2 Q. So to the extent that AEP -- to the
3 extent that you believe that Turning Point satisfies
4 those conditions, you're relying on counsel for that
5 belief; is that correct?

6 A. Yes.

7 Q. If AEP-Ohio does not receive cost
8 recovery through a nonbypassable surcharge for the
9 Turning Point project, is the Turning Point project
10 an uneconomic investment?

11 A. I don't know.

12 Q. If AEP-Ohio does not receive cost
13 recovery through a nonbypassable surcharge for the
14 Turning Point project, will AEP-Ohio proceed forward
15 with the Turning Point project?

16 A. I don't know.

17 Q. So it's possible that if AEP does not
18 receive cost recovery through a nonbypassable
19 surcharge for the Turning Point project, that AEP may
20 continue forward with the Turning Point project.

21 A. It's unlikely.

22 Q. But it's possible.

23 A. I don't know.

24 Q. Have you had discussions with your other

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1 partners in the Turning Point project with regard to
2 whether the project would go forward if the
3 Commission does not approve a nonbypassable surcharge
4 to recover the costs of the Turning Point project?

5 A. I haven't personally, no.

6 Q. Do you know whether other individuals at
7 AEP have had those discussions with partners?

8 A. I believe so.

9 Q. Who are those people?

10 A. Witness Godfrey in the case is involved
11 in that discussion with the partners on the project.

12 Q. Anyone else?

13 A. I'm sure there are, but I'm not sure who
14 the specific individuals are.

15 Q. Do you know who the individual or
16 individuals are who Witness Godfrey would be having
17 those discussions with?

18 A. Internal to AEP; is that the question?

19 Q. With your partners in the Turning Point
20 project.

21 A. The developer, I'm sure. The development
22 team. I'm sure there are other financial entities
23 who are providing financing support.

24 Q. Is there a -- I'm sorry. Is there a lead

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1 individual for the developer?

2 A. There is, and I don't recall his name. I
3 apologize.

4 Q. That's all right.

5 A. I think it's Glen Davis with Agile
6 Energy.

7 Q. Okay. If the Turning Point project was
8 developed and the energy and capacity from the
9 project was sold into the PJM markets, would AEP-Ohio
10 recover its investment in Turning Point?

11 A. I don't know.

12 Q. Has AEP run any forecasts or analyses of
13 future market pricing that would allow AEP to
14 determine whether it would recover its costs of the
15 Turning Point project?

16 A. I suspect we have, but I'm not familiar
17 with that.

18 Q. Are you familiar with AEP-Ohio's -- let
19 me ask you first, does AEP-Ohio have an internal
20 forecast of energy prices, say for the next ten
21 years?

22 A. I'm sure we do.

23 Q. Is that a forecast that you have
24 reviewed?

11 (Pages 41 to 44)

Page 45

1 A. No.

2 Q. Do you know generally whether AEP-Ohio
3 projects energy pricing increasing or decreasing over
4 the next ten years?

5 A. I think there's a general sense that due
6 to pressures on environmental compliance throughout
7 the industry that prices are likely to increase, and
8 that's a very general sense.

9 Q. Is it a general sense also that capacity
10 pricing will increase over the next ten years?

11 A. I don't know.

12 Q. Have you seen estimates of forward
13 capacity prices for a term shorter than ten years?

14 A. Estimates of capacity prices?

15 Q. Correct.

16 A. Meaning other than market -- published
17 market prices?

18 Q. Other than published market.

19 A. No.

20 Q. If AEP-Ohio has a cost based capacity
21 price, does AEP-Ohio have an estimate of what its
22 cost based capacity price will be over the next five
23 years or ten years?

24 A. Not that I'm familiar with.

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1 Q. Does AEP-Ohio have an estimate of what
2 its cost based capacity pricing will be over some
3 shorter period of time, say one to two years out?

4 A. Not that I'm familiar with.

5 Q. I want you to assume that the Commission
6 approves the electric security plan as filed. And
7 the Commission approves it before the end of this
8 year so it's effective January 1, 2012. AEP gets
9 what it's asked for. And I want you to assume that
10 I'm a typical residential customer living here in
11 Columbus so I'm going to be served under your new ESP
12 as approved.

13 What will my SSO charge for generation
14 service in January 2014 be?

15 A. I don't recall the numbers. Witness
16 Roush is the witness on the specific rate schedules.

17 Q. Is it your understanding that Witness
18 Roush has provided an estimate of the total SSO price
19 that a typical residential customer would pay in
20 2014?

21 A. I don't recall.

22 Q. Do you know whether the typical
23 residential customer, the total standard service
24 offer charge that they're paying for generation

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1 service in January of 2014 would be higher or lower
2 than what they're paying today?

3 A. I don't know.

4 Q. Do you know whether the SSO charge for
5 generation service that that typical residential
6 customer is paying in January 2014 will be higher or
7 lower than what they pay in January 2012, the first
8 month of the new ESP?

9 A. I don't know, and one of the reasons I
10 don't know the answer to that is the fuel clause is a
11 variable cost and I can't predict what fuel costs
12 would be in 2014.

13 Q. Are there any other components, other
14 than the fuel adjustment clause, that are variable in
15 that total SSO charge for generation service?

16 A. There are riders, yes.

17 Q. So as a result of the variability of the
18 fuel adjustment clause and the variability of the
19 generation related riders you cannot predict what the
20 SSO charge for generation service will be in 2014; is
21 that correct?

22 A. That's correct.

23 Q. Do you know what the range of predicted
24 increases or decreases in that typical residential

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1 customer's bill will be during the term of the ESP?

2 A. I don't know. Witness Roush presents the
3 impact on different rate schedules of the proposed
4 plan.

5 Q. Now, you'll agree that there's a -- that
6 a portion of that standard service offer price is
7 variable, correct?

8 A. Yes.

9 Q. Is it your understanding that Witness
10 Roush has provided estimates of the potential highs
11 and lows of that pricing based on the variability?

12 A. I don't recall the basis of what he
13 presents.

14 Q. Do you know whether Witness Roush
15 included the costs of all of the nonbypassable riders
16 in his estimates of the SSO generation pricing?

17 A. I don't recall what components he
18 included.

19 Q. Do you know whether he included the
20 variability that exists in the nonbypassable
21 generation related riders?

22 A. I don't recall.

23 Q. Time for some water.

24 A. Almost out.

12 (Pages 45 to 48)

Page 49

1 Thank you

2 Q. Is it fair to predict that the typical
3 residential customer's monthly standard service offer
4 charge for generation service could increase 20
5 percent or more between now and the end of the ESP
6 period?

7 A. I don't know the specific predictions
8 across that time period.

9 Q. If it's possible for that typical
10 residential customer to see an increase of 20 percent
11 or more, would you support the ESP as proposed?

12 A. I do support the ESP as proposed.

13 Q. But you don't know whether or not the
14 typical residential customer could see an increase of
15 20 percent or more over the next -- over the 29-month
16 period of the ESP; is that correct?

17 A. There are unpredictable costs in future
18 periods so I cannot predict that.

19 Q. Can you say with certainty that those
20 customer would not see an increase of 20 percent or
21 more?

22 A. I cannot predict the future increases or
23 decreases.

24 Q. So you can't predict today what kind of

Page 50

1 an increase either residential or commercial or
2 industrial customers will see under the ESP; is that
3 correct?

4 A. In future periods?

5 Q. During the term of the ESP.

6 A. That's correct.

7 Q. I want you to assume that AEP-Ohio
8 provides standard service offer service using an
9 electric security plan for the next ten years. What
10 prices will AEP-Ohio charge during that time frame?

11 A. I don't know.

12 Q. How will AEP-Ohio's prices compare to
13 market prices during that time frame?

14 A. I don't know.

15 Q. Does AEP-Ohio plan for the next ten years
16 to continue to provide generation and capacity to SSO
17 customers from its own generating facilities?

18 A. I don't know.

19 Q. Is it possible that during the next ten
20 years AEP-Ohio changes course and decides not to
21 supply standard service offer service from its own
22 generating units?

23 A. Yes.

24 Q. What will AEP-Ohio's capacity price be in

Page 51

1 2021?

2 A. I don't know.

3 Q. What will its capacity price be in 2015?

4 A. I don't know.

5 Q. Do you know what AEP-Ohio's capacity
6 price is today?

7 A. Capacity price to whom?

8 Q. Well, let's start with what it charges to
9 standard service offer customers.

10 A. I don't know the specific capacity price
11 to standard service offer customers.

12 Q. Do you know how standard service offer
13 customers are charged with capacity?

14 A. Through the base generation rate. Other
15 witnesses can present detail on that.

16 Q. Do you know whether AEP-Ohio recovers its
17 capacity costs through any charge other than the base
18 generation rate?

19 A. Today?

20 Q. Let's start with today.

21 A. Can you clarify the question or repeat
22 the question, please?

23 Q. Do you know whether AEP-Ohio recovers its
24 capacity costs from standard service offer customers

Page 52

1 through any charge other than the base generation
2 charge?

3 A. I don't know.

4 Q. In the proposed ESP is AEP-Ohio proposing
5 to recover its capacity costs through the base
6 generation charge that's in the proposed ESP?

7 A. Yes.

8 Q. Will AEP-Ohio recover its capacity costs
9 through any other charge other than the base
10 generation charge in the proposed ESP?

11 A. I'm not sure I understand the question,
12 so would you repeat it?

13 Q. Is there any other charge in the proposed
14 ESP, any other rider, any other component that's
15 generating revenue that allows AEP-Ohio to recover
16 its capacity costs other than that base generation
17 charge?

18 A. There may be. For example, the
19 generation resource rider would be designed to
20 recover, Turning Point Solar is the specific project,
21 but it's a rider that could be used for capacity cost
22 recovery as well.

23 Q. Is it your understanding that any
24 generating facilities approved by the Commission and

13 (Pages 49 to 52)

Page 53

1 included in the generation resource rider, that the
2 nonbypassable surcharge in place under the generation
3 resource rider would recover AEP-Ohio's costs of the
4 capacity of that generation resource?

5 A. That's my understanding, yes.

6 Q. Would that also recover the variable
7 operation and maintenance costs of that facility?

8 A. I don't know all the specifics of the
9 components included in the generation resource rider.
10 I believe Witness Nelson and Roush would be reference
11 points for that.

12 Q. Do you agree that if AEP-Ohio supplies
13 SSO service for the next ten years through an
14 electric security plan, that the pricing to be
15 offered by AEP is uncertain?

16 A. I wouldn't know how to answer that
17 without knowing the specifics of a long-term ESP, but
18 in general, yes.

19 Q. What components of the proposed ESP --
20 let me start that over.

21 What pricing components of the proposed
22 ESP have a volatility aspect, meaning they can go up
23 or down?

24 A. Generally, the FAC component, the FAC

Page 54

1 rider that includes fuel.

2 Q. Any other components?

3 A. In terms of volatility, in terms of
4 unpredictability and volatility, there could be
5 others. I'm not sure of the nature of all the
6 different underlying costs.

7 Q. So am I correct that in forming your
8 opinion as to whether the ESP is more favorable than
9 the MRO you did not take into consideration the
10 volatility of the different pricing elements of the
11 ESP?

12 A. No.

13 Q. In forming your opinion that the ESP is
14 more favorable than the MRO did you take into
15 consideration the volatility of the different pricing
16 components of the ESP?

17 A. We took into consideration a number of
18 different factors, as I discussed earlier, including
19 long-term certainty of rates, the opportunity to
20 attract investment. Whether specific volatility of
21 individual components in the plan was considered, I
22 didn't specifically look at that.

23 Q. Okay. So that was the -- the volatility
24 of specific components was something you did not take

Page 55

1 into consideration in forming your opinion that the
2 ESP was more favorable in the aggregate than an MRO,
3 correct?

4 A. I did not specifically look at that,
5 that's correct.

6 Q. Do you know whether Witness Thomas, Laura
7 Thomas, took that into consideration?

8 A. I don't recall.

9 Q. Did you ask Witness Thomas whether she
10 took that into consideration?

11 A. No.

12 Q. When Witness Thomas provided her pricing
13 analysis of the ESP and the MRO to you, did you ask
14 her whether she took into consideration the potential
15 variability of the ESP price during the ESP period?

16 A. I relied on Witness Thomas's expertise.
17 I didn't ask her that level of detailed question.

18 Q. Did you ask her whether she performed a
19 sensitivity analysis regarding the ESP pricing?

20 A. I did not.

21 Q. Do you know what a sensitivity analysis
22 is?

23 A. Yes.

24 Q. What is it?

Page 56

1 A. My understanding is you look at a range
2 of possibilities for different variables.

3 Q. Do you know whether that was a function
4 that Witness Thomas performed with regard to her ESP
5 pricing analysis?

6 A. I don't know.

7 Q. If AEP-Ohio's generation resources are
8 exposed to the market, would that drive AEP prices
9 toward marginal cost?

10 A. Would you repeat that for me, please?

11 Q. If AEP-Ohio's generation resources are
12 exposed to the market, would that drive AEP-Ohio's
13 prices toward marginal cost?

14 A. I'd have to have a more detailed
15 understanding of the market to be able to understand
16 that.

17 Q. Do you agree generally that a market
18 drives prices towards marginal cost?

19 A. Again, it depends on the design of the
20 market, but most markets function in a way that the
21 price is driven by marginal cost.

22 Q. I want to ask you about a statement that
23 you have at page 19 of your testimony, and this is at
24 lines 13 through 15, you have a statement that says

14 (Pages 53 to 56)

Page 57

1 "... AEP Ohio will need to take its generation
2 assets to market through an MRO in order to better
3 match the risks and rewards of making such long-term
4 generation investments."

5 By that statement are you saying that a
6 market allows AEP to better match the risks and
7 rewards of long-term generation investments?

8 A. No.

9 Q. What are you intending to say by that
10 statement?

11 A. That the provisions of this ESP can
12 provide certainty relative to investments, and if the
13 Commission is not committed to providing that kind of
14 certainty, one of the options AEP-Ohio would have to
15 consider is an MRO.

16 Q. When you say the MRO will better match
17 the risks and rewards, better as compared to what?

18 A. Better as compared to an ESP that does
19 not provide for timely recovery of investments.

20 Q. So if you're comparing an ESP that has
21 bypassable generation riders to an MRO, that
22 comparison, the MRO would better match the risks and
23 rewards making long-term generation investments for
24 AEP; is that correct?

Page 58

1 A. There are a number of factors to consider
2 in making that analysis.

3 Q. What factors did you consider in making
4 this statement that the MRO would better match the
5 risks and rewards?

6 A. The case we have presented.

7 Q. So the MRO would better match the risks
8 and rewards as compared to the case you presented?

9 A. Not necessarily. This statement simply
10 says that if the Commission has not committed to
11 timely and certain recovery, then we may need to look
12 at an MRO as a different alternative.

13 Q. Correct me if I'm wrong, but it doesn't
14 say we may need to consider an MRO. You're saying
15 that the MRO would be better. Isn't that true?

16 A. It could be a better way to match the
17 risks and rewards related to those investments.

18 Q. And when you're referring to whether the
19 Commission is committed to providing timely and
20 certain recovery of generation investments, are you
21 referring to the nonbypassable surcharges that you're
22 requesting for new generation and environmental
23 investment in the ESP?

24 A. I'm referring to the total plan.

Page 59

1 Q. So the total plan provides you timely and
2 certain recovery of your generation investments?

3 A. That's one of the objectives.

4 Q. Why would an MRO necessitate legal
5 separation of the generation assets from the
6 distribution assets?

7 A. An MRO essentially replaces your standard
8 service offer when you're an EDU, such as AEP-Ohio,
9 with auction based power over a term so that it only
10 makes sense for generation assets to be under a
11 different model.

12 Q. Is that so that generation assets can be
13 bid into the auction?

14 A. It just, it changes the business model in
15 many ways.

16 Q. Why does it change the business model?
17 How does it change the business model?

18 A. It moves through a process that provides
19 market based power supplies for the customers.

20 Q. Okay. I understand what an MRO is. I'm
21 trying to understand why an MRO necessitates changes
22 in terms of the business structure of AEP-Ohio. Why
23 does it necessitate changes in the business structure
24 of AEP-Ohio?

Page 60

1 A. Because at the end of the MRO path the
2 power supply for the standard service offer customers
3 comes from multiple sources, there's no reason to
4 continue to have generation resources as a part of an
5 EDU under that model.

6 Q. Under the current structure of AEP-Ohio
7 with functional separation could AEP-Ohio conduct an
8 MRO?

9 A. I don't know.

10 Q. Under the current structure, functional
11 separation, could AEP-Ohio have an electric security
12 plan that uses a competitive bidding process to
13 obtain the energy provided under the SSO?

14 A. I suppose that's possible.

15 Q. If a competitive bidding process were
16 used, is it your understanding that the functionally
17 separate generation unit of AEP-Ohio would bid
18 generation assets into that competitive bidding
19 process?

20 A. I don't know the nature of an auction
21 under -- it's a hypothetical as I understand it, so I
22 don't know how that auction might work.

23 Q. Do you know whether there are any
24 restrictions that would prevent the functionally

15 (Pages 57 to 60)

Page 61

1 separate generation operations of AEP-Ohio from
2 bidding in an auction?

3 MR. NOURSE: Objection. I'm not sure
4 what you mean by "restrictions." Are you talking
5 about legal restrictions?

6 MR. LANG: I'm saying any kind of
7 restrictions. Anything.

8 A. Again, I don't know because I don't know
9 the nature of the model that you're describing.

10 Q. Has AEP-Ohio bid into competitive
11 auctions -- has AEP-Ohio bid into competitive
12 auctions?

13 A. My recollection is that we have, but I
14 don't know the specifics.

15 Q. Do you generally know what auctions they
16 participated in?

17 A. No.

18 Q. Are you generally familiar with the
19 determinations made by AEP-Ohio in deciding whether
20 to bid into a competitive auction?

21 A. No, I'm not familiar with those details.

22 Q. Who at AEP-Ohio would be familiar with
23 those details?

24 A. The Commercial Operations group manages

Page 62

1 that function.

2 Q. Who runs the Commercial Operations group?

3 A. Mr. Busby.

4 Q. Do you remember his first name?

5 A. Todd.

6 Q. Todd. Todd Busby.

7 When Mr. Busby makes the decision to have
8 AEP-Ohio's distribution unit bid into a competitive
9 auction, is that a decision that is reviewed by you?

10 A. I don't get involved in those details.

11 Q. Why not?

12 A. It's a separate function within the
13 company. It doesn't report directly to me.

14 Q. So it doesn't report to you as President
15 or Chief Operating Officer.

16 A. Right.

17 Q. Who is it Todd would report for that?

18 A. It would be Nick Akins today.

19 Q. It would be, I'm sorry?

20 A. Nick Akins today.

21 Q. Thanks. Interesting.

22 Are you familiar with the market
23 transition rider that's included in the electric
24 security plan?

Page 63

1 A. Yes. Generally.

2 Q. Why is the MTR nonbypassable?

3 A. It's a revenue neutral, from AEP-Ohio's
4 standpoint, a revenue neutral mechanism to help
5 manage the transition from today's rate design to
6 tomorrow's rate design under the ESP proposal.

7 Q. You could have a revenue neutral MTR that
8 was a bypassable rider, correct?

9 A. That's not clear to me.

10 Q. Okay. As a revenue neutral rider is it
11 your understanding that the MTR has to be
12 nonbypassable?

13 A. Witness Roush did that design. It's
14 designed to manage the transition from today's rate
15 design to the proposed rate design. Whether it could
16 be bypassable or nonbypassable is not something I've
17 considered. I mean, whether it could be bypassable
18 is not something I've considered.

19 Q. I'm going to ask you about a statement
20 you have at page 25 of your testimony. This is in
21 reference to the MTR and it's at lines 12 through 14.
22 You say that the MTR is designed to mitigate the
23 impact of customers most affected by the shift to
24 market-based rates. Are shopping customers affected

Page 64

1 by the shift to AEP-Ohio's market-based rates?

2 MR. NOURSE: I'm sorry. Could I have
3 that reread. I'm not sure it was quoted correctly.

4 (Record read.)

5 A. Meaning current shopping customers?

6 Q. Current or future shopping customers.

7 A. Not directly.

8 Q. How are they affected indirectly?

9 A. The rate itself, the standard service
10 offer rate, is a basis for them determining their
11 comparable offers.

12 Q. Okay. So the credit or charge provided
13 by the MTR to a particular customer class would
14 impact the decision of customers in that class
15 whether to shop.

16 A. No.

17 Q. All right. Help me out again, then. How
18 does it indirectly impact shopping customers?

19 A. The standard service offer is a basis for
20 the customer determining how to look at competitive
21 offers.

22 Q. And the MTR is changing, either reducing
23 through a credit or increasing through a charge, that
24 base generation rate, correct?

16 (Pages 61 to 64)

Page 65

1 A. No.

2 Q. No. How does the MTR affect the base
3 generation rate?

4 A. The bypassable rate follows the new rate
5 design. The MTR simply manages the transition
6 between today's rate and the new market-based rate
7 design that Witness Roush proposes.

8 Q. And how does it manage that transition?

9 A. It helps to mitigate the difference
10 between the current rate design and tomorrow's rate
11 design, the proposed rate design.

12 Q. And practically how does it mitigate that
13 transition?

14 A. If the rate design results in, all other
15 things being equal, the rate design results in a
16 lower rate, then the transition would -- the MTR
17 would step towards that lower rate for a standard
18 service offer customer. If it results in a higher
19 rate, it would step towards that higher rate over the
20 term of the plan.

21 Q. So in that case is the MTR -- in the
22 example that you provided is the MTR providing a
23 credit or a charge to that customer?

24 A. In the first example where the rate

Page 66

1 design yields a lower rate, it would result in a
2 charge until it was phased out. In the second
3 example where the rate design results in a higher
4 rate, it would result in a credit.

5 Q. So whether it's a charge or a credit,
6 that affects the price to compare, correct?

7 A. No.

8 Q. Does it affect the, you know, does it
9 affect the bypassable generation charge that the
10 customer sees in the, you know, as what's being
11 offered to that customer class?

12 A. Does what affect it?

13 Q. The MTR.

14 A. No.

15 Q. The charge or the credit.

16 A. No.

17 Q. Does the charge or credit affect what an
18 existing shopping customer pays for generation
19 service?

20 A. "Existing" meaning?

21 Q. Meaning they're shopping. They're taking
22 service from a CRES supplier.

23 A. Yes.

24 Q. How does it affect what a shopping

Page 67

1 customer pays for generation service?

2 A. It depends on the change in their
3 particular rate schedule from today's rate design to
4 the proposed rate design, and Witness Roush can
5 provide more insights and more detail.

6 Q. If shopping customers are receiving a
7 charge under the MTR, will that make it less likely
8 that they will shop?

9 A. No.

10 Q. If they are receiving a credit under the
11 MTR, does it affect their likelihood of shopping?

12 A. No.

13 Q. So is it your position that the MTR as a
14 nonbypassable charge is neutral is regard to shopping
15 and has no effect on shopping incentives?

16 A. Yes.

17 Q. If you could turn to page 13, lines 1 and
18 2. This is a more general reference to the market
19 transition rider. You refer here to base generation
20 rates that more closely reflect the structure of
21 market conditions.

22 What is the structure of market
23 conditions to which you are referring?

24 A. My understanding is that customers, when

Page 68

1 comparing standard service offer to other offers they
2 may see, often see the rate presented in an
3 energy-only -- on an energy-only basis, whereas today
4 our rates, AEP-Ohio's rates, often include multiple
5 billing determinants and it makes the comparison more
6 difficult. So by presenting the rate design on a
7 more comparable basis, it reflects the market
8 conditions, that's what I meant by that.

9 Q. Is it an objective of the electric
10 security plan to make it easier for customers to
11 compare what's offered by CRES suppliers and what's
12 offered through the SSO?

13 A. That's one of the objectives of the rate
14 design.

15 Q. Is that objective achieved by proposing
16 multiple nonbypassable generation related riders all
17 of which must be taken into consideration when
18 comparing a CRES offer to the standard service offer?

19 A. That objective being?

20 Q. The objective we just discussed about
21 making it easier for the customer to compare offers.

22 A. I don't believe that has any influence on
23 that. It doesn't affect the price to compare.

24 Q. Do you believe that nonbypassable riders

17 (Pages 65 to 68)

Page 69

1 have any impact on shopping?
 2 A. I don't know.
 3 Q. Do your base generation rates reflect
 4 your generation costs?
 5 A. Could you be more specific in terms of
 6 what you mean by "reflect" costs?
 7 Q. Let me ask it another way. Do your base
 8 generation rates, and I'm talking about just the base
 9 generation rate, not the other riders that are
 10 related to generation --
 11 A. Okay.
 12 Q. -- but just the base generation rate,
 13 does that rate allow you to recover of and on your
 14 generation costs?
 15 A. I hope so.
 16 Q. Do you know whether it does?
 17 A. It's designed to do that.
 18 Q. Okay. Is it designed to -- so it's
 19 designed to recover 100 percent of your generation
 20 costs; is that correct?
 21 MR. NOURSE: I'm sorry. Are we talking
 22 about the current rates or the proposed rates?
 23 Q. Let's focus on the base generation rate
 24 that's in the proposed ESP.

Page 70

1 A. Okay.
 2 Q. Is that designed to recover, you know,
 3 100 percent of your generation costs?
 4 A. And does your definition of base
 5 generation include the FAC?
 6 Q. That's a good question. Let's use the
 7 base generation, there's a base generation rider and
 8 the FAC, those combined --
 9 A. The two?
 10 Q. The two.
 11 A. Yeah. Obviously, what -- the FAC is
 12 designed to recover actual fuel costs, and the base
 13 generation rate is set in a place where we hope it
 14 recovers our base costs over the period.
 15 Q. Is the base generation rate, let's take
 16 the base generation rate and the FAC as proposed in
 17 the ESP, will that continue to fully recover your
 18 generation costs in 2014?
 19 A. In the period of the plan that's in 2014?
 20 Q. Correct.
 21 A. The five months.
 22 Q. Correct.
 23 A. That's the expectation, yes.
 24 Q. Okay. I believe on that same page, 13,

Page 71

1 let's see, line 8 you say "... the proposed ESP
 2 filing strikes the right balance between all
 3 factors ..." What factors are you referring to
 4 there?
 5 A. The total set of factors presented in the
 6 plan inclusive of all of the components of the plan.
 7 Q. On the next line you refer to
 8 stakeholders. By "stakeholders" are you referring to
 9 your shareholders?
 10 A. That's one set of stakeholders.
 11 Q. So what's the total of the stakeholders
 12 you're referring to?
 13 A. I believe the state and the citizens of
 14 the state are stakeholders as well.
 15 Q. Citizens of the state meaning outside of
 16 your service territory?
 17 A. No. No, meaning the citizens of the
 18 communities we serve being a part of the fabric of
 19 the economic development activities throughout our
 20 territory.
 21 Q. When will AEP-Ohio legally separate its
 22 competitive and noncompetitive functions?
 23 A. Could you define the competitive and
 24 noncompetitive for me?

Page 72

1 Q. Let me ask you a question that might help
 2 you out. All right. Are you familiar with the
 3 requirement in Ohio law that came in through SB 3
 4 that an electric utility separate its competitive and
 5 noncompetitive functions?
 6 A. Somewhat.
 7 Q. And as part of that, that requires
 8 separation of the distribution function, which is a
 9 noncompetitive function, from the generation
 10 function, which is a competitive function; is that
 11 correct?
 12 A. That's my understanding, yes.
 13 Q. And currently AEP-Ohio has functionally
 14 separated its distribution and generation functions,
 15 correct?
 16 A. Correct.
 17 Q. There's a further step beyond functional
 18 separation which the -- which FirstEnergy has
 19 achieved which is legal separation of the
 20 distribution and the generation functions of those
 21 assets. When will AEP-Ohio legally separate
 22 distribution from generation?
 23 A. I don't know.
 24 Q. Does AEP-Ohio have any future plan to

18 (Pages 69 to 72)

Page 73

1 legally separate distribution from generation?

2 A. We don't have a specific plan.

3 Q. Is there any kind of goal or time period
4 over which AEP-Ohio is attempting to legally
5 separate?

6 A. We don't have a specific plan.

7 Q. Do you have a general plan?

8 A. We have filed for functional separation
9 and continue to request functional separation under
10 this plan.

11 Q. Now, AEP-Ohio requested a waiver of that
12 corporate separation requirement in its last ESP.
13 Its first ESP. Are you familiar with that?

14 MR. NOURSE: I'm sorry. Waiver of what
15 requirement?

16 MR. LANG: Of the legal separation
17 requirement.

18 MR. NOURSE: Is that the same as asking
19 if we proposed functional separation? I don't
20 believe it's accurate to refer to it as a waiver.

21 MR. LANG: You don't believe it's
22 accurate, okay.

23 Q. Do you know whether AEP-Ohio requested
24 approval of functional separation in AEP-Ohio's first

Page 74

1 electric security plan?

2 A. That's my recollection, yes, that we did.

3 Q. Is it your understanding that that is
4 equivalent of a waiver of the legal separation
5 requirement?

6 A. No. I don't know if the term "waiver"
7 applies; it's not clear to me.

8 Q. Do you know whether AEP-Ohio has ever
9 requested a waiver of the legal separation
10 requirement?

11 A. No.

12 Q. Has AEP-Ohio requested in the proposed
13 ESP approval of continued functional separation?

14 A. Yes.

15 Q. Is that in your testimony or the
16 testimony of another witness?

17 A. I reference that in my testimony is my
18 recollection.

19 Q. Do you know where that is in your
20 testimony?

21 A. Give me a moment, please.

22 MR. NOURSE: Jim, we've been going for
23 about two hours. It might be time for a break.

24 MR. LANG: I had the same thought. Let's

Page 75

1 finish this up, this question.

2 A. Maybe it was in the application.

3 Q. I know you discuss it on page 35.

4 A. Thank you. That will help.

5 Q. Next time if you can have Steve put a
6 better table of contents on your testimony.

7 MR. NOURSE: It was my fault.

8 MR. LANG: Yeah. It's always the lawyer.

9 A. Okay. I'm sorry. I forget what the
10 question was.

11 Q. Looking for the location in your
12 testimony where AEP-Ohio is requesting Commission
13 approval of continued functional separation under the
14 proposed ESP.

15 A. Yes. Page 35.

16 Q. Can you point me to the language where
17 that continued functional separation is requested?

18 A. It's at the top of page 36, a reference
19 to a supplemental filing to be made in a separate
20 case, we intend to demonstrate consistent assurance
21 that our implementation of corporate separation plans
22 are in compliance with the law.

23 Q. So does AEP-Ohio intend to request
24 continued functional separation in a separate case

Page 76

1 filing?

2 A. Yes.

3 Q. Okay. So that request is not being made
4 as part of this ESP; is that correct?

5 MR. NOURSE: I object. He's testifying
6 to the scope of his testimony.

7 Q. All right. That request is not being
8 made in your testimony.

9 A. Right. That's correct.

10 MR. LANG: That was my questions on that,
11 so, Steve, if we all want to take a break.

12 MR. NOURSE: Sure.

13 (Recess taken.)

14 Q. Taking you back to your testimony, bottom
15 of page 13. At the bottom there, particularly at
16 line 22, you're referring to extra administrative
17 burdens, and then say "Thus, AEP-Ohio has recently
18 applied with the Commission to merge its two Ohio
19 operating companies." Are the administrative burdens
20 that you reference the primary reason for the merger?

21 A. They are among a number of reasons. And
22 those burdens are related to compliance and tracking
23 compliance with a number of the new requirements
24 under Senate Bill 221. My understanding, from

19 (Pages 73 to 76)

Page 77

1 talking with our team who managed those, is that the
2 balancing between the two companies can be cumbersome
3 and so the merger can help with that in a significant
4 way.

5 Q. What was your understanding as to what
6 the primary reason is for the merger?

7 A. I don't know that there's a single
8 primary reason. There are a number of reasons. We
9 have operated as two companies for -- we've operated
10 the two companies as one from a managerial sense for
11 nearly two decades now and it's just time to do it.

12 Q. I'd ask you to turn two pages back to
13 page 15.

14 A. Okay.

15 Q. Here you're talking about, at the top of
16 page 15 you're talking about the alternative energy
17 rider. You state it reflects innovative adaptations
18 to an increasingly dynamic market. What is the
19 innovative adaptation aspect of the alternative
20 energy rider?

21 A. The sentence includes programs that are
22 continuations of the current ESP and some new
23 proposals, and the alternative energy is one of
24 those. The alternative energy rider provides a more

Page 78

1 clear price signal relative to renewable compliance.

2 Q. All right. So when you're referring to
3 innovative adaptations, you're referring to more than
4 the alternative energy rider?

5 A. Yes.

6 Q. So what are the other -- to what else are
7 you referring?

8 A. Well, this whole passage here relates to
9 what AEP-Ohio is doing and continues to be committed
10 to relative to gridSMART, demand response programs,
11 distribution reliability programs, environmental
12 investments, and economic development.

13 Q. There's discussion in the testimony of
14 the Wyandot solar contract. Are you familiar with
15 that contract?

16 A. Somewhat.

17 Q. Will AEP-Ohio's costs related to that
18 contract be recovered through the alternative energy
19 rider?

20 A. That's my understanding.

21 Q. Do you know whether cost recovery for
22 that contract will also be included in the FAC rider?

23 A. Yeah. The overall -- yes, I do. The
24 overall approach is to separate those contracts into

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1 the capacity, energy, and the REC values, and the REC
2 value will be recovered through the AER, whereas the
3 other components reside where they do today in the
4 FAC.

5 Q. Okay. Are there any alternative energy
6 compliance costs that the company will incur during
7 the period of the proposed ESP that will not be
8 recovered through either the alternative energy rider
9 or the FAC?

10 A. Any alternative energy compliance costs?

11 Q. Correct.

12 A. If the Turning Point Solar is approved as
13 proposed, it would be recovered in the generation
14 resource rider.

15 Q. If it's not approved as proposed, is it
16 your understanding that the costs of Turning Point
17 could be recovered through the alternative energy
18 rider?

19 A. If it were still constructed, it would
20 certainly -- we would expect it would flow through
21 the recovery mechanisms that all the other renewables
22 flow through under this proposal.

23 Q. That's because the Turning Point project
24 is -- because AEP-Ohio is participating in the

Page 80

1 Turning Point project so that AEP-Ohio can satisfy
2 its alternative energy compliance requirements,
3 correct?

4 A. Yes.

5 Q. At page 18 of your testimony, yes, at
6 lines 10 and 11 you state that "AEP Ohio intends to
7 file an MRO if the Commission materially modifies the
8 proposed ESP." What's an example of a material
9 modification that would cause AEP-Ohio to file an
10 MRO?

11 A. We would have to consider any
12 modifications the Commission might make in an order
13 to determine if it was material. Are there so many
14 different elements of the plan to consider that
15 there's not a single provision that might trigger
16 that kind of a response.

17 Q. Can you provide an example of a
18 nonmaterial modification that the Commission would
19 make?

20 A. No. Again, there are so many provisions
21 that need to be considered in any modification to the
22 plan. But, in general, the overall outcome for the
23 company needs to be considered under that modified
24 plan.

Page 81

1 Q. Well, if the Commission approves the plan
2 as filed except it reduces the POLR charge from \$2.84
3 to \$1, would that be a material modification?

4 A. I don't know. We'd have to look at all
5 of the impacts of such a modification.

6 Q. Practically, how do you do that? What
7 does that mean, to look at the impacts?

8 A. I'd have to understand the financial
9 implication relative to this plan and the overall
10 business conditions and make that determination.

11 Q. Would that review take into consideration
12 the total revenue flow generated by the ESP as
13 modified by the Commission?

14 A. The review would include a total
15 financial analysis of the modification of the plan.

16 Q. Would it also include a consideration of
17 the projected impact on AEP-Ohio of using an MRO?

18 A. The decision to file an MRO, is that the
19 question, would it include that analysis?

20 Q. Yes.

21 A. Of course.

22 Q. And so that's, to be specific, the
23 decision as to whether a Commission modification is
24 material would also include a comparison to the

Page 82

1 alternative which is an MRO; is that correct?

2 A. Yes.

3 Q. But as of today the financial impact of
4 an MRO has not been determined by AEP; that's
5 something you haven't looked at, correct?

6 A. That's correct. It would have to be
7 analyzed in the context of the overall business
8 environment.

9 Q. In that case how can you say that
10 AEP-Ohio intends to file an MRO if the Commission
11 materially modifies the proposed ESP when you don't
12 know what the financial impact of an MRO is?

13 A. If the ESP is modified in a way that is
14 clear that the ESP framework is not desired, then the
15 MRO is the only other option.

16 Q. Is it your understanding that if the
17 Commission materially modifies the ESP, so they would
18 issue an order saying we approve this but with these
19 modifications, and you view those modifications to be
20 material, that AEP-Ohio's only other option in that
21 instance is to -- only option in that instance is to
22 withdraw the ESP and file an MRO?

23 A. No.

24 Q. What other option would AEP-Ohio have in

Page 83

1 that instance?

2 A. My understanding is that we'd have the
3 option to file a different ESP.

4 Q. Okay. At any time has AEP-Ohio
5 considered filing an ESP that obtains standard
6 service offer generation using a competitive bidding
7 process?

8 MR. NOURSE: I object to the relevance
9 and to the executive deliberative process as well as
10 attorney-client privilege as to what other filings
11 we've contemplated.

12 Q. If I can ask you, I want you to answer
13 that question, but to Steve's objection of
14 attorney-client privilege I don't want you to tell me
15 anything that was discussed with counsel that would
16 be privileged.

17 MR. NOURSE: By him.

18 MR. LANG: Right.

19 A. Can you repeat the question, please?

20 MR. LANG: Can you help me out, Maria?

21 (Record read.)

22 A. Not to my knowledge.

23 Q. If the Commission approves the ESP as
24 filed but changes your nonbypassable generation

Page 84

1 related riders to bypassable generation related
2 riders, would that be a material modification?

3 A. Again, we'd have to look at the totality
4 of the modifications to the plan, and I can't provide
5 specific reactions to individual components of the
6 plan and what response that might trigger.

7 Q. Have you run any financial projections of
8 the impact on AEP-Ohio of having your generation
9 related riders proposed in the ESP be bypassable as
10 opposed to nonbypassable?

11 A. We run analysis of the total business and
12 consider all -- a number of factors including the
13 recovery mechanisms and how they might work, and any
14 specific detail, I'm not able to present or respond
15 to that in terms of what that might look like.

16 Q. I think still on page 18 at lines 16 and
17 17 you have a statement that "Substantial investment
18 is needed in order to maintain and replace AEP Ohio's
19 generation assets into the future." Do you agree
20 that that substantial investment can occur under an
21 MRO?

22 A. It really depends on the terms of the
23 MRO.

24 Q. Is the difference between recovery under

Page 85

1 an ESP and recovery under an MRO that under an ESP
2 the risks of those costs is on ratepayers versus
3 under the MRO the risk is on your shareholders?

4 A. Not necessarily. There are entirely
5 different planning frameworks that exist under
6 regulatory regimes that provide for longer term
7 certainty versus the market framework.

8 Q. Do you agree that under an ESP the risks
9 of the cost recovery for this generation investment
10 that you reference here is a risk that will be borne
11 by your ratepayers through the nonbypassable charges?

12 A. And what do you mean by "risk"? I'm not
13 sure I understand the relative risk that you're
14 describing.

15 Q. The risk that's associated with cost
16 recovery for those assets.

17 A. Compared to?

18 Q. Compared to not having guaranteed cost
19 recovery through nonbypassable surcharges.

20 A. The distinction is that that may
21 determine whether the investments are made, and the
22 alternative being a market with volatile pricing
23 provides a very different risk profile to both the
24 investor and the customer.

Page 86

1 Q. Under a market is it your understanding
2 that the risk of cost recovery is shared by
3 ratepayers and AEP-Ohio's shareholders?

4 A. It depends on how that market functions.

5 Q. Why is that?

6 A. The marginal cost can be much higher --
7 the marginal cost can be much higher than a long-run,
8 average cost under a market framework so there's
9 volatility for both sides, the customer and the
10 investor.

11 Q. Does AEP-Ohio have above average
12 environmental compliance costs as compared to the
13 market as a whole?

14 A. I don't know.

15 Q. Do you know whether AEP-Ohio is more
16 likely to recover its environmental compliance costs
17 in an ESP as compared to an MRO?

18 A. The difference between an ESP and an MRO
19 changes the investment planning, so the recovery
20 question is dependent upon -- the recoverability is
21 dependent on the investments you decide to make.

22 Q. Is it more likely that AEP-Ohio will shut
23 down higher cost generating plants if they proceed
24 with an MRO as compared to the proposed ESP?

Page 87

1 A. That analysis would require -- the answer
2 to that would require an understanding of the market,
3 the term of the investment, and how you view the
4 market, so it's impossible to answer that.

5 Q. Well, is it impossible to answer or does
6 it depend on having those reliable price forecasts of
7 what the market will allow you to recover in terms of
8 costs?

9 A. I guess that's what I'm saying. It
10 depends on your view of that market, of return.

11 Q. Is AEP-Ohio today recovering a portion of
12 its generation costs through off-system sales?

13 A. Yes, that's my understanding.

14 Q. Do you know what percentage of its
15 generation costs, say over the last year, are
16 recovered through off-system sales?

17 A. I don't recall.

18 Q. Do you have a general understanding of
19 the percentage? Can you provide a ballpark or a
20 range?

21 A. Yeah, over the last year?

22 Q. Yes.

23 A. Meaning the last 12 months?

24 Q. Last 12 months, or last financial quarter

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1 if that's easier for you.

2 A. I don't recall. I'm sure it's publicly
3 available, I just don't recall.

4 Q. With regard to the timely and certain
5 recovery of generation investments, how is AEP-Ohio
6 obtaining that timely and certain recovery through
7 the proposed ESP?

8 A. The overall pricing provisions of the ESP
9 set the framework for recovery at least during the
10 period, and for any rider that might provide for
11 nonbypassability over the life of the investment it
12 certainly provides more certainty over the term of
13 that investment.

14 Q. Is it your understanding that AEP-Ohio
15 would be able to recover its renewable and advanced
16 energy compliance costs through an MRO?

17 A. Yes.

18 Q. Would AEP-Ohio be able to recover those
19 renewable and advanced energy compliance costs
20 through an ESP that included a competitive bid
21 process as proposed by FirstEnergy Solutions in this
22 case?

23 A. I'm not familiar with FirstEnergy
24 Solutions' proposals.

22 (Pages 85 to 88)

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1 Q. Let me ask you generally if the ESP did
2 include a competitive bid process, would AEP-Ohio
3 still be able to recover its renewable and advanced
4 energy compliance costs?

5 A. I would hope so.

6 Q. You would expect that what's proposed is
7 the AER rider would continue regardless of whether
8 you have an MRO or you have a competitive bid
9 process, correct?

10 A. I don't know how we would structure the
11 pricing components in an MRO, but I would expect some
12 mechanism for recovery. Those costs would be
13 included in an MRO.

14 Q. In your testimony you discuss risk
15 factors that could lead to a loss of generation
16 investment in Ohio. I want to ask you a couple of
17 questions about that. When you're talking about a
18 loss of generation investment in Ohio, are you
19 specifically discussing or are you limiting your
20 testimony to loss of generation investment by
21 AEP-Ohio?

22 A. Which passage are you citing?

23 Q. I'm speaking generally of your testimony,
24 but on page 23 you do discuss loss of generation

Page 90

1 investment.

2 A. So if you're referring to line 4, yes, it
3 says "AEP Ohio's generating assets."

4 Q. Is your testimony providing opinion on
5 loss of generation investment in Ohio by anyone other
6 than AEP-Ohio?

7 A. The general point is that the market
8 signals investors in a very different way than the
9 regulatory framework we're proposing, and we see very
10 different investment profiles, and you may see a
11 difference in how AEP-Ohio invests under a market
12 framework because of the volatility and uncertainty
13 that that presents both for customers and for the
14 company.

15 Q. So under a market do you have a, is it a
16 different structure or a different approach to
17 generation investment that occurs in Ohio?

18 A. It's driven by the market framework that
19 attracts investment which is generally the wholesale
20 marketplace.

21 Q. And have you conducted an analysis or
22 have you had someone at AEP-Ohio conduct an analysis
23 showing that market signals will result in a
24 significant loss of generation investment in Ohio?

Page 91

1 A. That's my belief that that would happen.

2 Q. And on what is your belief based?

3 A. Observing the behavior of investors in
4 electricity markets.

5 Q. What are the factors that drive those
6 investors to support generation investments in Ohio?

7 A. Which investors?

8 Q. The investors that you just referred to
9 that I think you believe will not invest in
10 generation investment.

11 A. What are the factors that drive their
12 decisions?

13 Q. Correct.

14 A. The ability to attract capital funding
15 sources and the ability to earn an appropriate return
16 on those investments relative to the pricing signals
17 that the market sends them or that regulation sends
18 them.

19 Q. Is the return primarily driven by energy
20 pricing and capacity pricing in the PJM market?

21 A. The return to investors that participate
22 only in that market?

23 Q. Yes.

24 A. It might be.

Page 92

1 Q. I'd say to the extent that investors are
2 considering building a new generating facility in
3 Ohio would they be looking at the regional pricing
4 that's in the PJM market for energy and capacity?

5 A. That's my understanding of what they
6 would look at.

7 Q. Are you familiar with the generation
8 investment that FirstEnergy Solutions has made in
9 Ohio over the last five years?

10 A. No.

11 Q. When I refer to AEP-East, are you
12 familiar with that term, AEP-East?

13 A. That term at AEP means the operating
14 companies that operate in Ohio, Indiana, Kentucky,
15 Michigan, West Virginia, Virginia.

16 Q. Are you aware that AEP-East as of today
17 has a substantial reserve margin?

18 A. I have looked at those reports. I am
19 aware that we have a reserve margin. I don't know
20 what you mean by "substantial."

21 Q. Are you aware that the reserve margin is
22 a multiple of the reserve margin required by PJM?

23 A. No.

24 Q. Would any new generating plant invested

23 (Pages 89 to 92)

Page 93

1 in Ohio today make off-system sales and receive
2 revenues from off-system sales?

3 A. It's impossible to determine that.

4 Q. Why is that?

5 A. That's a long-term planning issue and
6 you'd have to look at supply and demand over the
7 period of the investment from when it comes on line
8 till over the life of that investment. So today's
9 position may not necessarily -- today's relative
10 position may not necessarily be the same.

11 Q. Is that dependent on the reserve margin
12 at any particular time?

13 A. Is what dependent on it?

14 Q. Whether the company is making off-system
15 sales.

16 A. I believe that would be one of the inputs
17 in that.

18 Q. Does the company make a higher amount of
19 off-system sales if its reserve margin is higher? If
20 it has a lot of reserve capacity.

21 A. As a general matter I would believe that
22 would be the case, yes.

23 Q. To date has AEP-Ohio been required to
24 share the margins of off-system sales with Ohio

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1 customers as part of its SSO pricing?

2 A. Meaning under the current --

3 Q. Under the current plan.

4 A. -- ESP? It's my understanding that
5 legacy rates have those credits built in, but there's
6 no dynamic sharing mechanism built into the current
7 rate schedules.

8 Q. How do legacy rates include the sharing
9 of off-system sales?

10 A. It's my understanding that the most
11 recent base rate cases that were the legacy starting
12 point for today's rates did include sharing.

13 Q. So that would be back in the 1990s?

14 A. Yeah. Probably 20 years ago, yeah.

15 Q. So for off-system sales made today by
16 Ohio Power are you saying that the base generation
17 rate shares some portion of the profit that AEP
18 makes -- that Ohio Power makes on that off-system
19 sale, shares that with SSO customers?

20 A. No. I'm not being that specific.

21 Q. Is any percentage of the off-system sales
22 that Ohio Power makes today shared with SSO
23 customers?

24 A. In Ohio.

Page 95

1 Q. In Ohio.

2 A. Again, to the extent that the legacy
3 rates had any of that built in, yes, but there's not
4 a dynamic sharing mechanism in Ohio today.

5 Q. With regard to that legacy component,
6 what AEP-Ohio witness would know the details of how
7 that legacy component works and how off-system sales
8 are in that legacy component?

9 A. I don't know that we have a witness that
10 has that expertise, but if so it would likely be
11 Mr. Roush or Mr. Nelson.

12 Q. How do you come by that knowledge that
13 the base generation rate includes some element for
14 off-system sales?

15 A. From internal discussions in a very
16 general sense.

17 Q. Do you remember who in particular told
18 you that?

19 A. No, I don't.

20 Q. Do you know whether Michigan requires an
21 offset for profits from off-system sales?

22 A. I don't know the Michigan framework.

23 Q. Do you know whether Indiana does?

24 A. I don't know the other states besides

Page 96

1 Ohio.

2 Q. Okay. West Virginia, any knowledge with
3 regard to West Virginia?

4 A. Same answer. It's my general
5 understanding that there are sharing mechanisms, but
6 I don't know the specifics of other states that have
7 a traditional regulatory framework.

8 Q. Now, as a result of federal environmental
9 policy, this has certainly been in the news a lot, as
10 a result of federal environmental policy AEP plans to
11 shut down several plants including plants that are in
12 Ohio; is that correct?

13 A. Plants that are owned by Columbus
14 Southern Power and Ohio Power, yes.

15 Q. With regard to the plants in Ohio, during
16 the term of the ESP period what plants are planned to
17 be shut down during that ESP period?

18 A. We announced a compliance plan in June, I
19 don't remember all of the specifics, but the Kammer
20 plants that are in West Virginia, but they're Ohio
21 power plants, three units there, Pickaway, Sporn, a
22 couple of Sporn units, and Muskingum. Muskingum
23 River is actually proposed to be repowered under that
24 compliance plan with natural gas. And then I believe

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1 one of the -- from memory, I believe one of the
2 Conesville units.

3 Q. The Muskingum plant, repowering with
4 natural gas, does that -- by repowering with natural
5 gas does that result in lower operating costs for the
6 plant?

7 A. We would only do it if it provided for an
8 economic resource.

9 Q. So the answer is yes, it results in --

10 A. Lower than what is what -- I don't
11 understand what you're comparing it to.

12 Q. Lower than current costs.

13 A. I don't know that.

14 Q. Okay.

15 A. It's a forward-looking projection about
16 the options for that plant, not a comparison to
17 current operating costs.

18 Q. So repowering with natural gas would
19 result in lower costs than what you're projecting if
20 it stays as a coal plant.

21 A. The options are to retrofit it or repower
22 it or retire it, and we're proposing the repowering
23 under that framework believing it's the most economic
24 approach.

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1 Q. In terms of the costs of that plant that
2 you seek to recover in rates, will the total cost of
3 that plant decrease as a result of the repowering?

4 A. What do you mean by "total cost"?

5 Q. Both the fixed costs and the variable
6 costs of the plant, you know, the total costs of the
7 plant.

8 A. I haven't seen that precise of an
9 analysis, but, again, this is a forward-looking
10 projection. I haven't seen it compared to today's
11 costs. That's the way I understand your question,
12 that you're trying to compare it to today's costs.

13 Q. Well, aren't you doing a net present
14 value on both sides of the analysis if you're
15 repowering versus if you leave it as coal?

16 A. And retrofit it, yes.

17 Q. And retrofit.

18 A. Yes.

19 Q. So you're comparing the net present value
20 of those three options.

21 A. Yes.

22 Q. And based on the net present value a
23 determination is made that repowering as natural gas
24 is the lowest-cost option, correct?

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1 A. That's the general conceptual framework
2 for it, yes.

3 Q. The plants that have been -- the plants
4 that AEP-Ohio has identified as saying that it will
5 close over the next few years during the ESP period,
6 does closure of those plants depend upon Commission
7 approval, Public Utilities Commission of Ohio
8 approval, of the proposed ESP?

9 A. The closure, the plants that -- are you
10 referring to the plants that were announced relative
11 to the EPA rules?

12 Q. Correct. The plants that you just listed
13 for me, Pickaway and the others.

14 A. No. Those determinations are relative to
15 proposed rules made by the U.S. EPA that are not
16 final in some cases, so it's an initial assessment,
17 an initial compliance plan to make sure that the
18 proposed rules are fully understood.

19 Q. So, for example, if the FCCR required in
20 the ESP is modified by the Public Utilities
21 Commission, it's either rejected or say it's modified
22 to make it bypassable, that will not effect AEP's
23 closure of those plants, correct?

24 A. No. I didn't mean to imply that. We

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1 would have to understand the entire framework both on
2 the EPA rules side and the regulatory side to make a
3 final decision about how to do that. Without knowing
4 all the various details it's impossible to say
5 whether the decision would change.

6 Q. So the plants that you just listed for me
7 that have been announced as will be closed, are you
8 saying that's not a final decision as to whether they
9 will be closed?

10 A. I am saying that for a number of reasons,
11 most importantly the environmental rules are not yet
12 final, so compliance with those rules is a key
13 determination. Closure, of course, is inevitable for
14 assets like that, it's just a timing question. So
15 I'm not saying they would never be closed.

16 Q. If the EICCR rider is approved on a
17 bypassable basis, so it continues as it exists today,
18 all other things being equal, would the closure of
19 those plants be more likely or less likely?

20 A. I would have to look at each plant
21 individually and understand the unique economics of
22 those facilities to be able to answer that.

23 Q. What is the impact of the EICCR on the
24 decision-making process as to whether to close those

25 (Pages 97 to 100)

Page 101

1 plants and when to close those plants?

2 A. I want to make sure I understand. You're
3 still talking about the plants we announced the plan
4 to retire relative to the EPA rules.

5 Q. Plants that have been publicly announced,
6 correct.

7 A. We have not said that the environmental
8 retrofit option applies to all of those plants, so
9 that rider is not necessarily a determining factor
10 in whether it's bypassable or nonbypassable, it's not
11 even necessarily a relevant factor because some of
12 those plants are simply closing earlier than they
13 would have otherwise closed due to the rules. It's
14 *not a question of whether or not to retrofit.*

15 Q. Got it.

16 What impact does the approval of the FCCR
17 rider have on that decision-making process, still
18 talking about those publicly announced plans?

19 A. Very little in terms of the actual
20 closure process. We simply present that as a fair
21 and reasonable way to recover the cost of plants that
22 have for their life been dedicated to serving Ohio
23 customers.

24 Q. Are most of the plants -- first of all,

Page 102

1 are all the plants that have been announced for
2 closure coal-fired plants?

3 A. Yes.

4 Q. Are the plants that have been announced
5 for closure to be shut down, are they plants that
6 are, in the AEP portfolio, higher-cost plants?

7 A. I don't know in general whether that's
8 true. It's more about the age and the natural
9 retirement cycle and this is about accelerating --
10 that announcement was more about accelerating
11 retirement versus the economics of each of the units
12 in the sense that you asked the question.

13 Q. Do you know what the phrase "top of the
14 stack" means?

15 A. Generally, yeah.

16 Q. Are most of these plants that have been
17 announced for closure at the top of the stack?

18 A. I don't know.

19 Q. As President of AEP-Ohio were you
20 involved in the decision-making process with regard
21 to closure of the plants or was that done at AEP
22 corporate?

23 A. That function is performed by corporate
24 planning groups. Was I involved? I'm aware and

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1 involved, but I don't do the direct economic analysis
2 that drives that decision.

3 Q. Will AEP-Ohio derive cost savings from
4 shutting down these plants?

5 A. Perhaps.

6 Q. Will the plant retirements lead to
7 increased market pricing?

8 A. I don't know.

9 Q. Have you seen any AEP-Ohio projections of
10 the impact of the plant closures on market pricing?

11 A. No.

12 Q. Do you have a belief as to whether -- do
13 you have a belief as to how shutting down the plants
14 *will affect the market pricing either for energy or*
15 *capacity?*

16 A. In general. I would imagine that if you
17 take capacity off the grid and it's not replaced, you
18 would see a shift in fundamentals of the market, but
19 I don't know the specifics of these plants and how
20 this might or might not change the market pricing.

21 Q. If market prices increase, will AEP's
22 remaining plants benefit from increased revenues from
23 off-system sales?

24 A. It's not clear that there would be

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1 off-system sales so, I mean, there's a complex change
2 in the fundamentals as that happens, so that's not
3 obvious to me that that would be the case.

4 Q. And, again, that's not something that
5 you've prepared, you've run projections or seen
6 projections on what impact that would have?

7 A. No.

8 Q. At page 23 of your testimony, I'm still
9 on the same topic --

10 A. Okay.

11 Q. -- toward the bottom, lines 18 and 19 you
12 refer to nonbypassable recovery of certain
13 investments that would not be likely without such
14 assurance of recovery, and by "assurance of recovery"
15 you're referring to the riders, the nonbypassable
16 riders.

17 A. That's correct.

18 Q. When you say that recovery would not
19 be -- that recovery of the investments would not be
20 likely without those nonbypassable riders, why do you
21 say that?

22 A. My understanding is the market mechanisms
23 that would be the alternative framework for analyzing
24 those investments are very shortsighted and volatile

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1 and it wouldn't provide the same level of support
2 that -- for such a long-term investment that this
3 regular framework might. So you just see very
4 different investment decisions, short-term, long-term
5 trade-offs that you make under the two different
6 approaches to analyzing those investments.

7 Q. Does it depend on the energy and capacity
8 pricing that the market will provide over the long
9 term?

10 A. On either side? Is that the question?

11 Q. In terms of seeking recovery through the
12 market.

13 A. Yes. Yes.

14 Q. And you referred to market pricing as
15 short term and volatile.

16 A. Yes.

17 Q. But the -- recovery of generation costs,
18 don't you agree that you have to look at what the
19 long-term market prices will be, not what the
20 short-term price will be, because the issue is
21 whether you're recovering your costs over the long
22 term?

23 A. You have to look at the framework under
24 which you recover those investments, and we're

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1 proposing for certain types of investments a
2 nonbypassable recovery that's very different than the
3 market. The market provides risks and rewards very
4 differently than regulation does.

5 We're simply saying you might make
6 different decisions in the marketplace. It doesn't
7 mean they're uneconomic decisions either way, but the
8 owners of those resources see the higher prices
9 during high market periods and see lower prices
10 during the low market periods, whereas under this
11 framework you see a steady price, you see a steady
12 return. So it's just a different way of analyzing
13 the investment. And you get -- I believe you would
14 see different results.

15 Q. And it's possible under market pricing
16 over the long term you could recover more than your
17 costs, correct?

18 A. It's quite possible, yes.

19 Q. Now, your opinion here that it would not
20 be likely that you'll recover those investments, is
21 that based on your analysis of long-term energy and
22 capacity prices?

23 A. This isn't referring to specific
24 investments. This is discussing the creation of a

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1 new mechanism that would allow for analysis of
2 investments with long-term cost based recovery as an
3 alternative to market based incentives to invest.

4 Q. I'm sorry. I'm still trying to
5 understand your opinion that the market would -- that
6 it's not likely that the market would allow cost
7 recovery. You said it's possible that you could
8 recover more than your costs under the market. What
9 is the basis for your opinion that it is not likely
10 that would you recover those costs?

11 A. The statement is that the investments
12 would not be likely without such assurance because
13 the market sends a different volatile shorter term
14 signal, much less certainty in the marketplace. Only
15 if you can receive the higher prices during high
16 market price periods can you offset the volatility or
17 the risk that you see in the marketplace.

18 Q. So when you're saying the investment
19 would not be likely, are you referring to investment
20 from the, I guess what's generally referred to as the
21 capital markets?

22 A. Sure. Yeah.

23 Q. Have you had discussions with
24 institutions or individuals in the capital markets to

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1 determine that these investments would not be made
2 under a market based approach to cost recovery as
3 compared to the ESP?

4 A. I haven't reviewed specific projects and
5 specific investments with the investment community.
6 It's more a general sense based on what I've observed
7 and what I've heard from talking to the investment
8 community about the different viewpoints in pure
9 marketplace versus pure regulation, it's just a
10 different framework.

11 Q. Is the investment community, to your
12 understanding, interested in only investing in the
13 most economic, you know, the most economic
14 investment?

15 A. I think the investment community is
16 interested in seeking the right risk/reward based on
17 the projects they're investing in. So it's not as
18 simple as the most economic. It's a risk-reward
19 correlation.

20 Q. If all of AEP-Ohio's generating units are
21 taken to market as opposed to getting cost recovery
22 through an ESP, is the investment community less
23 likely to invest in the higher cost generating units
24 of AEP-Ohio?

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1 A. I don't know.

2 Q. If it's more economic to shut down a
3 plant as opposed to spending \$500 million for
4 environmental compliance, you know, environmental
5 compliance improvements, is it your understanding
6 that the investment community would invest in that
7 \$500 million investment?

8 A. It depends on the structure of the
9 marketplace in which you make that investment.

10 Q. When you refer to "certain investments"
11 here again in your testimony, that's page 23, line
12 18, what are the certain investments? Are you
13 talking only about investments in environmental
14 compliance or other things?

15 A. No. That would be -- that's separate in
16 the statement from environmental. The nonbypassable
17 recovery of certain investments that would not likely
18 be made without such assurance refers to generation,
19 new generation investments, generation resource rider
20 for example that underpins the Turning Point Solar
21 project.

22 Q. Okay. So the reference to "certain
23 investments" there is a reference to investment in
24 new generation in Ohio.

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1 A. That's one of the things it can refer to,
2 yes.

3 Q. Is it generally new investment in Ohio or
4 new investment in renewable energy facilities?

5 A. It's generally new investment in Ohio.
6 It's not limited to renewable.

7 Q. Without state support and regulatory
8 support for renewable energy investment in Ohio would
9 it get built?

10 A. It.

11 Q. Renewable energy. Renewable energy
12 resources.

13 A. In my mind that's a complex question, and
14 there are many different renewable sources and some
15 might be economic, some may not work in the current
16 market framework, so it's --

17 Q. Without state support and regulatory
18 support for solar projects in Ohio would they get
19 built?

20 A. To the extent that there are customers
21 interested in having those resources available to
22 them and willing to pay for that, it might get built.

23 Q. And does it also hold true for
24 competitive retail electric service suppliers who

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1 would be exploring building solar resources in Ohio?

2 A. Does what also hold true?

3 Q. That they would decide to build solar
4 resources depending on whether their customers will
5 pay for it?

6 A. I would think so.

7 Q. When you say whether the customers will
8 pay for it, is there an assumption that the cost for
9 those solar resources is higher than the general cost
10 for generation?

11 A. I think that assumption was built into
12 your question that I answered.

13 Q. Just wanted to make that clear that we
14 had the same assumption.

15 A. Yeah.

16 Q. Do you agree that currently recovery of
17 compliance costs for renewable energy must be
18 bypassable?

19 A. No.

20 Q. What do you know about the Black model
21 that is used in this case with regard to the POLR
22 charge?

23 A. What do I know about it?

24 Q. Yes, sir.

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1 A. That it was developed as a way to value
2 options.

3 Q. Do you know how it was utilized in this
4 case with regard to the POLR rider charge requested
5 in this case?

6 A. I have a general understanding of how
7 Witness Thomas used that model.

8 Q. What is your understanding?

9 A. That it looks at the standard service
10 offer price relative to the market and the volatility
11 of the market and compares those and determines what
12 the value is to the customer of the right to switch
13 between the two according to the switching rules that
14 are in place.

15 Q. Is it your understanding that the closer
16 the market is, the market price is to the standard
17 service offer price, the higher the resulting POLR
18 charge?

19 A. That's my understanding of how the option
20 value model works, yes.

21 Q. When you're conducting the ESP versus MRO
22 comparison, do you understand that one component of
23 the MRO comparison is the current standard service
24 offer price?

28 (Pages 109 to 112)

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1 A. Blended in each year? Yes --
 2 Q. Correct.
 3 A. -- I do.
 4 Q. Do you understand that a component of the
 5 current standard service offer price is the existing
 6 POLR charge that's in effect today?
 7 A. Are you asking how Laura Thomas presents
 8 the test? Are you asking if I understand that's how
 9 she presented it?
 10 Q. I can focus it on that if you'd like to.
 11 Yeah, do you understand that that is -- that she
 12 includes in that part of the MRO blend, when we're
 13 talking about the standard service offer price, she
 14 includes the current POLR charge?
 15 A. That's my recollection, yes.
 16 Q. And it's your understanding that it is
 17 not something that she did in January when the
 18 testimony was originally filed; is that correct?
 19 A. I don't recall that change.
 20 Q. Are CRES providers subject to the same
 21 renewable energy compliance standards to which
 22 AEP-Ohio is subject?
 23 A. I believe they are.
 24 Q. At page 36 of your testimony you describe

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1 the significantly excessive earnings test, or SEET,
 2 as an additional risk.
 3 A. Yes.
 4 Q. Would corporate separation of the
 5 distribution and the generation functions of AEP-Ohio
 6 alleviate the SEET problem for AEP-Ohio?
 7 A. Legal separation?
 8 Q. Yes.
 9 A. I imagine it would. I suppose it depends
 10 on the framework of the rate plan as well.
 11 Q. Is one of the purposes of the merger
 12 between Columbus Southern and Ohio Power to eliminate
 13 or reduce this risk of the SEET review?
 14 A. It's one of the results by recognizing
 15 that we operate on an integrated basis and the
 16 earnings of the two companies are interdependent.
 17 The current statute doesn't provide for that
 18 recognition, so certainly the merger would help
 19 alleviate that asymmetry in AEP-Ohio's business
 20 model.
 21 Q. So your testimony is that's not one of
 22 the factors driving the merger, but it is a benefit
 23 of the merger.
 24 A. It's one of the outcomes, yes.

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1 Q. You have a conference paper attached to
 2 your testimony.
 3 A. On the CCS test?
 4 Q. Yes.
 5 A. Yes.
 6 Q. This is about the CCS project of the
 7 Mountaineer plant, correct?
 8 A. Correct.
 9 Q. Is this a paper that you prepared or that
 10 you were involved in preparing?
 11 A. No. The authors are listed in the
 12 beginning. I was not involved.
 13 Q. Do you have firsthand knowledge of the
 14 facts contained in the report?
 15 A. I've read the report. I don't have
 16 firsthand knowledge of the underlying details.
 17 Q. Is it correct that this, the CCS project
 18 at the Mountaineer plant, is now on hold?
 19 A. Yes.
 20 Q. Do you know for how long it will be on
 21 hold?
 22 A. No.
 23 Q. Are there any expectations as to
 24 whether -- as to how long the project will be on

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1 hold?
 2 A. Not that I'm aware of.
 3 Q. Is it possible that the project will be
 4 on hold for some period of time and then would be
 5 canceled?
 6 A. I'm sure it is, yes.
 7 Q. AEP's January filing includes a rider to
 8 recover part of the costs of this project. Because
 9 of AEP's announcement that the project is on hold is
 10 AEP still seeking that rider, that CCS cost recovery
 11 rider, to be included in the ESP or is it no longer
 12 needed?
 13 A. We have not modified the application.
 14 Q. So you're still asking the Commission to
 15 approve that rider to recover these costs.
 16 A. Yes. We have not modified the
 17 application.
 18 Q. Is it possible at this time that AEP-Ohio
 19 will still incur costs related to this project that
 20 it would include in the rider during the term of the
 21 ESP period?
 22 A. I suppose it is.
 23 Q. Do you have an estimate at this time of
 24 what those costs could be that would be included in

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<p>1 that rider during the ESP period?</p> <p>2 A. No.</p> <p>3 Q. A question I wanted to go back to, we</p> <p>4 were talking about the RSR rider, the rate security</p> <p>5 rider.</p> <p>6 A. Sure.</p> <p>7 Q. I'd asked you about the percentages that</p> <p>8 are offered because it's -- are you familiar with</p> <p>9 that rider where it starts out at a 15 percent</p> <p>10 discount and then drops to a 10 percent and</p> <p>11 eventually drops to zero in the last year?</p> <p>12 A. Yes. During the extension period.</p> <p>13 Q. During the extension period.</p> <p>14 A. Yes. Yes.</p> <p>15 Q. Can you tell me how the level of those</p> <p>16 discounts were developed for the rider? Why did you</p> <p>17 start with 15 percent and then drop to 10 and go</p> <p>18 through that flight path?</p> <p>19 A. I'm not aware of an underlying cost basis</p> <p>20 or any such mechanism if that's what you're asking.</p> <p>21 It's simply an economic development tool that we</p> <p>22 think is important to have throughout our service</p> <p>23 territory to help manufacturers in particular who are</p> <p>24 capital intensive and energy intensive have a</p>	<p>1 Generation Corporation, Constellation, RESA, Compete</p> <p>2 Coalition, and P3.</p> <p>3 A. Okay.</p> <p>4 Q. I hope you got all those.</p> <p>5 I just want to start off, if we could,</p> <p>6 and turn you to page 11 of your testimony. Are you</p> <p>7 at that point?</p> <p>8 A. I am at page 11, yes.</p> <p>9 Q. At the top of page 11 you state here</p> <p>10 that, you reference a couple different Commission</p> <p>11 cases and you state that these cases are -- that "The</p> <p>12 riders the witnesses are sponsoring in this case help</p> <p>13 ensure the recovery of prudently incurred costs, and</p> <p>14 are consistent with other Ohio utility riders that</p> <p>15 are in existence today." Is that a correct reading?</p> <p>16 A. That's correct.</p> <p>17 Q. Now, looking at this first case, which is</p> <p>18 case number 07-478-GA-UNC, can you explain briefly</p> <p>19 what this case was about?</p> <p>20 A. I don't have familiarity with the details</p> <p>21 of that case.</p> <p>22 Q. But would you agree with me that this</p> <p>23 case involved replacing distribution equipment for</p> <p>24 safety reasons?</p>
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<p>1 framework for making decisions about continued and</p> <p>2 sustained investment in Ohio.</p> <p>3 Q. So you said it doesn't have a cost basis.</p> <p>4 Does it have a market basis to the extent that you</p> <p>5 would have --</p> <p>6 A. No.</p> <p>7 Q. -- reviewed market pricing?</p> <p>8 A. No. No. It was just an offer that's</p> <p>9 there as one more tool to make investments in</p> <p>10 AEP-Ohio's service territory.</p> <p>11 Q. Is one of the AEP-Ohio witnesses, were</p> <p>12 they the person that was responsible for developing</p> <p>13 the RSR starting with the 15 percent and declining</p> <p>14 over time?</p> <p>15 A. Yeah, David Roush is who presents that.</p> <p>16 MR. LANG: Okay. Those are all the</p> <p>17 questions I have. I thank you for your answers.</p> <p>18 THE WITNESS: Thank you.</p> <p>19 ---</p> <p>20 EXAMINATION</p> <p>21 By Ms. Kaleps-Clark:</p> <p>22 Q. A couple questions.</p> <p>23 A. Okay.</p> <p>24 Q. First, I'm here on behalf of Exelon</p>	<p>1 A. That's what I indicate here, it's to</p> <p>2 support Columbia's riser replacement.</p> <p>3 Q. Okay. And are you aware that this case</p> <p>4 involved utility customer deaths; that that was part</p> <p>5 of the reason?</p> <p>6 A. That it involved, I'm sorry, I didn't --</p> <p>7 Q. Utility customer deaths, that was the</p> <p>8 reason they had to go through and --</p> <p>9 A. No. I wasn't aware of that.</p> <p>10 Q. Okay. Looking at the next two cases that</p> <p>11 you have here, is it true that these cases are</p> <p>12 collecting distribution related expenses?</p> <p>13 A. The next two --</p> <p>14 Q. We have 10-388-EL-SSO and 09-543-GE-UNC,</p> <p>15 these are, again, distribution related.</p> <p>16 A. Yes, much like the distribution</p> <p>17 investment rider that we propose in the ESP.</p> <p>18 Q. Okay. Now going to page 7 and 8 of your</p> <p>19 testimony, the question at 7 and starting at the top</p> <p>20 of page 8, is it your opinion that no one could build</p> <p>21 a power plant in Ohio unless there was a ratepayer</p> <p>22 guarantee?</p> <p>23 A. No.</p> <p>24 Q. That's not your opinion?</p>

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1 A. No.
 2 Q. Can you explain a little bit more about
 3 what you mean in this section?
 4 A. This bottom of page 7, is that what
 5 you're asking me about?
 6 Q. The top of page 8.
 7 A. Okay. I'm referring to the difference
 8 between a pure market based framework and a
 9 regulatory framework in terms of the type of capital
 10 it attracts.
 11 Q. Okay. And earlier you discussed certain
 12 plants that would be retrofitted, repowered, or
 13 retired. Do you remember that discussion?
 14 A. Earlier in?
 15 Q. Earlier today.
 16 A. Earlier in the deposition, sure, I do.
 17 Q. And at this moment does AEP-Ohio have an
 18 estimate of the total cost that would be associated
 19 with that retrofit, repowering, and retirement of
 20 those plants?
 21 A. If you're referring to the environmental
 22 compliance plan that we announced in June, there's an
 23 approximate \$2 billion worth of additional investment
 24 in the AEP-Ohio fleet that might be required under at

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1 least the rules as we understood them at that point
 2 in time. Again, those rules are in flux and we would
 3 need to analyze that.
 4 Q. Right. And is it AEP's plan to have
 5 ratepayers guarantee to pay all the costs associated?
 6 A. With?
 7 Q. With the retrofit, repowering, retirement
 8 of those plants.
 9 A. Not necessarily.
 10 Q. Earlier you had several questions on the
 11 possibility of filing an MRO. Do you remember those
 12 questions?
 13 A. I do.
 14 Q. If AEP were to file an MRO in lieu of an
 15 ESP in this proceeding, when do you think AEP would
 16 plan to file an MRO?
 17 A. I don't know.
 18 Q. You have no estimate on when a good time
 19 would be to do that?
 20 A. No. I don't know.
 21 MS. KALEPS-CLARK: I think those are all
 22 the questions I have. Thank you.
 23 THE WITNESS: Thank you.
 24 - - -

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EXAMINATION

1 By Mr. Maskovyak:
 2 Q. Good morning, Mr. Hamrock.
 3 A. Good morning.
 4 Q. I'm Joe Maskovyak.
 5 A. Hi, Joe.
 6 Q. I'm with the Ohio Poverty Law Center.
 7 I'm here on behalf of the Appalachian Peace and
 8 Justice Network. I will try to be brief. I don't
 9 know that I can be that brief, but I will do my best.
 10 My concerns are pretty much centered on
 11 low-income customers.
 12 A. Sure.
 13 Q. As you might expect.
 14 A. Yes.
 15 Q. I would like you first to turn to your
 16 testimony at page 10, if you will, and I'm looking at
 17 your chart on page 10.
 18 A. Yes.
 19 Q. I'd like to direct you to the top
 20 right-hand box across from your name. The third
 21 bullet point talks about you being the witness for
 22 economic development and low income support.
 23 A. Yes.
 24

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1 Q. As far as I can tell you are the only
 2 witness who will be testifying regarding low-income
 3 issues on populations; is that correct?
 4 A. Yes, I guess that's correct. I'm
 5 testifying relative to the Partnership with Ohio fund
 6 proposal and that's what that reference is intended
 7 to indicate.
 8 Q. And there is no other witness who will be
 9 addressing that issue?
 10 A. With the Partnership with Ohio?
 11 Q. Correct.
 12 A. That's correct.
 13 Q. And the Partnership with Ohio is the
 14 place to center on low income support issues.
 15 A. Yes. And I would suggest the overall
 16 plan also provides economic development support which
 17 is important to low-income populations as well.
 18 Q. When you use the term "low income
 19 support" as you do here, and I think you actually
 20 repeat that term in other places, what exactly do you
 21 mean by that?
 22 A. Support for vulnerable populations
 23 throughout our service territory as defined by a
 24 network of partners that we work with to support them

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1 with food bank contributions, United Way
2 contributions. So we don't have a, necessarily have
3 any specific designation. We generally focus on an
4 index to the federal poverty guidelines as a target
5 for that and would expect to continue to do that.

6 Q. And is the index to the federal poverty
7 guidelines sort of your guidepost as to how you
8 direct investments today under the current ESP in the
9 Partnership with Ohio?

10 A. Yes. We use that as a reference point to
11 make sure that those investments go to the truly
12 needy citizens across our territory.

13 Q. Thank you.

14 Why don't we turn to page 21.

15 A. Okay.

16 Q. And I'm looking at the bottom of the
17 page, the paragraph starting with line 19.

18 A. Okay.

19 Q. There you talk about the ability to
20 state -- the ability to fund low-income programs
21 would have to be reevaluated if AEP goes to an MRO.
22 What does "reevaluate" mean exactly?

23 A. Under an MRO this whole proposal -- this
24 proposal, the ESP proposal, all works together as a

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1 comprehensive package. It's not a -- nothing in here
2 is a commitment to any alternative filing, and that's
3 all that really means.

4 Q. What is it about an MRO that would cause
5 a need for reevaluation?

6 A. I don't know that there's anything
7 specific to an MRO. The idea is that AEP-Ohio has to
8 be financially capable of supporting these kinds of
9 programs.

10 Q. Would it be fair to say, then, that even
11 if you did go to an MRO, it would not preclude the
12 possibility of low income support in parts of Ohio?

13 A. That's a fair statement, yes.

14 Q. Would the same be true if the Commission
15 approves the ESP but modifies it? Would the need to
16 reevaluate still arise?

17 A. Yes. Any modification would cause us to
18 reevaluate the total package.

19 Q. Good anticipation of my next question
20 which is what are the kinds of modifications that
21 would cause AEP to find a need to reevaluate?

22 A. We'd have to look at the entire spectrum
23 of modifications that the Commission might make, and
24 there aren't any specific examples that I can offer

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1 that would trigger that reaction if that's what
2 you're asking.

3 Q. Yeah, I'm look to see if you could give
4 me a specific example.

5 A. No.

6 Q. Okay. All right. If we could turn to
7 page 26, which is where I believe we will find the
8 majority of your testimony regarding the Partnership
9 with Ohio and the investment in low-income programs.
10 And, of course, I'm looking from line 1 down through
11 line 20.

12 A. Okay.

13 Q. Starting with line 1, I'm sorry, starting
14 with line 4, you say that AEP proposes continuation
15 of the previous Partnership with Ohio fund on an
16 increased level. Is this the same partnership that
17 we talked about in the first ESP?

18 A. Yes, it's the partnership -- the programs
19 that exist today. The approach we take today.

20 Q. And if I remember correctly, the
21 announced commitment in your testimony in the first
22 ESP was 75 million.

23 A. Yeah. This is referring to the final
24 commitment, not the announced commitment.

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1 Q. But the commitment here that you're
2 talking about is the commitment for the new ESP.

3 A. That's correct.

4 Q. I'm looking backwards at the old ESP --

5 A. Right.

6 Q. -- and I'm trying to establish that, if I
7 remember correctly, it was 75 million, although it
8 was intended to be divided among economic development
9 as well as low income support. Does that sound
10 correct?

11 A. That's my recollection of the proposal.

12 Q. And do you know if AEP has spent
13 75 million in the Partnership with Ohio fund?

14 A. 75 million?

15 Q. Yes.

16 A. We have not spent 75 million.

17 Q. Do you know -- since the fund as it was
18 proposed in the first ESP was intended to be divided
19 among, again, economic development as well as low
20 income support, do you know what portion has been
21 spent for the, I think as you called them, at-risk
22 populations or low-income customers?

23 A. Yeah. This refers to the previously
24 approved Partnership with Ohio that was approved at

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1 \$15 million over the three-year term and that's all
2 that was approved from that -- all of it went to the
3 low-income programs.

4 Q. And is AEP on target to spend the
5 15 million?

6 A. It's my understanding that we are, yes.

7 Q. And do you know what organizations
8 currently receive funds for low income support under
9 the Partnership with Ohio in the current ESP?

10 A. I can't offer a comprehensive list of the
11 organizations, but in general the funding has gone to
12 United Way agencies across the service territory,
13 food banks across the service territory of AEP-Ohio,
14 and then also to certain applicants who deliver
15 specific low income -- or programs for low-income
16 families across the territory, and that's on an
17 application basis and that's a smaller piece of the
18 overall. We generally rely on the programmatic
19 infrastructure that's already there.

20 Q. Do you have any examples of the last
21 category that you just talked about where it's
22 application only?

23 A. None spring to mind now, but there have
24 been a handful of those kinds of applications. I can

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1 think of a camp that provides programs for inner-city
2 children that apply for Partnership with Ohio funding
3 and was awarded a grant as one example.

4 Q. Is there a particular person within your
5 organization who would have greater detail about
6 this?

7 A. Yeah, we have a committee that oversee --
8 about that last piece, about the specifics?

9 Q. I was actually thinking about the --

10 A. The whole program.

11 Q. -- the larger investment.

12 A. Sure.

13 Q. But that specifically, too, if in fact it
14 is different.

15 A. No, it's not. Our Community Affairs
16 organization manages the details of these programs.

17 Q. And can you tell me who directs that?

18 A. Dave Wheeler.

19 Q. Do you know, again in the current
20 partnership, whether there are any dollars used for
21 any programs to assist customers in paying their
22 utility bills or, especially their electric bills,
23 who are struggling to make payments?

24 A. Yes. Yes.

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1 Q. Can you give me an example?

2 A. The Neighbor To Neighbor program is
3 funded predominantly through the Partnership with
4 Ohio funds and that's been on the order of 2 million
5 or so each year during the plan year; that's my
6 recollection.

7 Q. You mean the --

8 A. The amount of assistance.

9 Q. AEP provides 2 million as part of the
10 Neighbor To Neighbor --

11 A. That's right. That's the AEP match to
12 customer contributions.

13 Q. And can you remind me of how the match
14 works? I know that customers like myself donate and,
15 in fact, have donated, and I know AEP does some sort
16 of matching contribution. Can you remind me of what
17 the proportions are?

18 A. I don't recall if it's dollar for dollar,
19 I think that's what it is, but we haven't limited our
20 contributions to matching only. It's predominantly
21 funded by Partnership with Ohio. It's predominantly
22 funded by the company.

23 Q. So you're saying that even though it's
24 likely to be a dollar-for-dollar match AEP exceeds

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1 the amount of money that would normally come from a
2 dollar-for-dollar match.

3 A. By far, yes.

4 Q. Can you give me a sense of how much "by
5 far" means?

6 A. I haven't seen that data lately. It was
7 probably a 10-to-1, easily a 10-to-1, if not more in
8 the first year or two. And we continue to promote
9 the Neighbor To Neighbor program.

10 Q. I'd like to direct your attention down
11 now a couple of lines, down at line 6 you talk about
12 the investments that AEP proposes for the pending
13 ESP.

14 A. Right.

15 Q. 6 million in 2012, 6 million in '13, and
16 2.5 in '14. Can you explain to me why the numbers
17 shift downward in 2014? What happens then?

18 A. It's a part-year plan. So this is
19 essentially \$500,000 per month across the term of the
20 plan.

21 Q. Because it ends in May.

22 A. It ends in May of '14, yes. That's all
23 it is.

24 Q. And if I understand correctly, unlike the

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1 previous partnership, these dollars are dedicated
2 only for low income support, not for economic
3 development.

4 A. That's correct.

5 Q. Okay. However, again, I know that we've
6 addressed this previously earlier, the money's
7 contingent on AEP earnings and it's connected to the
8 SEET.

9 A. Yes.

10 Q. Can you run through for me how that would
11 work?

12 A. Each year when we decide whether to fund
13 that program, we look back at the prior year's SEET
14 determination and whatever the mean ROE of the
15 comparable group is sets a threshold. If AEP-Ohio's
16 earnings were at or above that threshold, then this
17 funding would be available.

18 Q. So in the first year of the plan, 2012,
19 we will be looking at the SEET test for 2011, is that
20 correct, to determine funding for 2012?

21 A. It would probably be the SEET test for
22 '10 because you'd have to look back at the most
23 recent determination.

24 Q. And that's actually what I was getting at

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1 in part since the SEET test seemed to have been
2 deferred, delayed in terms of --

3 A. Yeah, there was a lag in that
4 determination.

5 Q. So it would be whatever the most recent
6 test was --

7 A. Yeah.

8 Q. -- regardless of what year it actually
9 took place in.

10 A. That's correct.

11 Q. You talk about it would be using the most
12 reasonable comparable group. Who would determine the
13 comparable group?

14 A. Whatever was behind the final Commission
15 order that SEET determination would define the
16 comparable group.

17 Q. What if the PUCO does not define a
18 comparable group but comes up with a number --

19 A. Yeah.

20 Q. -- which is certainly possible, as we
21 know.

22 A. Yeah. I had not anticipated that. I'm
23 sure we would adjust this mechanism accordingly if we
24 needed to do that.

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1 Q. So it would be whatever more likely --
2 whatever number or percent that the Commission comes
3 up with versus the comparable group that would be --

4 A. No. No. No.

5 Q. Okay.

6 A. I don't see it that way. I think we'd
7 have to reevaluate under a framework like that what
8 the trigger might be. There's a very simple reason
9 for this: It's an accounting issue. If you
10 designate this at the beginning of a plan, you
11 actually have to record that liability at that point
12 in time. So this is simply a way to not have to --
13 that's the only motivation behind this, it's simply a
14 way to not have to recognize the full three years
15 worth of contributions at a single point in time.

16 Q. By virtue of your last answer is it
17 possible to assume that AEP would consider funding
18 the Partnership with Ohio even if it did not pass the
19 SEET test?

20 A. I wouldn't leap to that conclusion.

21 Q. I'm just asking if it's possible.

22 A. I suppose anything's possible.

23 Q. I want to go talk about some of the
24 specifics that are funded. I know we did some of

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1 that already, and you talk about those in the second
2 paragraph of that section starting at line 15. You
3 mentioned United Way. You mentioned food banks. Are
4 those essentially the same kind of programs and
5 operations that are being funded today through the
6 current Partnership with Ohio low income support?

7 A. These are examples of the kinds of
8 programs. It would be our hope to continue to
9 provide that kind of support in the future.

10 Q. You mentioned United Way earlier. I
11 thought I heard you say United Ways across the
12 territory, so it wouldn't be confined to central
13 Ohio.

14 A. Absolutely not. Actually, the Central
15 Ohio United Way helped bring all the United Ways
16 together across the territory to come up with a
17 programmatic approach to managing this for us.

18 Q. Do you have any sense of how much of the
19 low income support actually goes specifically to the
20 United Ways within the service territory?

21 A. That's available, but I don't recall the
22 allocation.

23 Q. And does AEP specify which programs it
24 would like to support within the United Way framework

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1 since, as we all know, they have a multiplicity of
2 programs?

3 A. Yeah, my recollection is that that's what
4 the United Way teams did is developed, based on the
5 eligibility criteria that we established, a formula,
6 if you will, for allocating the funds to the programs
7 that deliver services to that population, those
8 populations.

9 Q. So it would not be a general contribution
10 to United Way --

11 A. No.

12 Q. -- but targeted toward specific programs?

13 A. Very targeted, and auditable as well.

14 Q. Would it necessarily mean that each of
15 the United Ways across the service territory would
16 have the same programs funded within it?

17 A. No, because I think they all have
18 different programs based on local needs.

19 Q. And do you have any examples that you
20 know of of the kind of programs that are, in fact,
21 funded by AEP through the United Way network?

22 A. Not at the top of mind.

23 Q. Down near the bottom of that paragraph in
24 line 19 you talk about an innovative set of programs

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1 to support education and job retraining. Do you see
2 that?

3 A. Yes.

4 Q. Do you have any examples of those?

5 A. Yeah. There are a couple of programs.
6 We've done grants to community colleges across the
7 territory that help unemployed citizens retrain for
8 new and emerging jobs in those communities, so
9 there's scholarship funds essentially for eligible
10 customers, and also a program called Hard Hatted
11 Women that's developing programs for helping women
12 find jobs in the energy industry.

13 Q. Would folks necessarily need to be
14 unemployed in order to be eligible for this kind of
15 job retraining?

16 A. Not necessarily, no. Just undereducated
17 for the economy.

18 Q. Is the intent of the funding mechanism or
19 amounts in this Partnership with Ohio intended to be
20 more or less equivalent with the amount of funding
21 that is currently being provided for low income
22 support in the Partnership with Ohio?

23 A. No. It's increased by 20 percent. Today
24 it's at 5 million a year. This increases it by

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1 \$1 million a year.

2 Q. Are there any other programs that AEP is
3 contemplating funding under the new partnership that
4 it is not now funding under the current partnership?

5 A. We don't have specific programs
6 identified, but we're open to expanding or changing
7 the program.

8 Q. And does AEP anticipate that those who
9 currently receive funding for their programs will
10 continue to receive funding?

11 A. That would need to be evaluated. There's
12 no commitment that's set in place to do that, but
13 that would be the starting point for the future
14 periods.

15 Q. Does AEP consult anyone from the
16 low-income community or others who may be advocates,
17 if not actual members of the community, when making
18 decisions about what to fund?

19 A. Yes. We work with a network of community
20 action agencies, of course, again, the United Way
21 staff who helped to be sure that the funds are
22 designated appropriately, the food banks. There are
23 a number of different advocates involved in the
24 allocation of funding.

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1 Q. So they would work with the Community
2 Affairs section --

3 A. Yes.

4 Q. -- in making those decisions.

5 Do you know if AEP has contemplated, as
6 rates rise, and it looks like they will rise pursuant
7 to both this ESP case as well as the possibility of
8 the distribution rate case, how many more customers
9 may be in need of bill assistance perhaps because
10 they will be shut off due to the inability to make
11 payment?

12 A. I don't have an estimation of whether
13 that's increasing or decreasing changing. Of course,
14 what we're hoping to do is provide income stability
15 and job retraining through a lot of this, so there's
16 a part of this that's trying to help families who are
17 struggling with unemployment.

18 Q. Do you know if anyone at AEP is looking
19 at that particular problem?

20 A. We're always looking at that problem, but
21 I don't have a point estimate of which direction
22 that's going.

23 Q. Do you personally believe there will be a
24 greater need for bill assistance type programs

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1 because more customers may face shutoff problems as a
2 result of higher rates?

3 A. I haven't thought about that.

4 MR. MASKOVYAK: Okay. I think I'm done.
5 Thank you.

6 THE WITNESS: Thank you.

7 MR. SINENENG: Duke Energy has no
8 questions.

9 ---

EXAMINATION

10 By Ms. McAlister:

11 Q. I've got just a few. Good afternoon,
12 Mr. Hamrock. I'm Lisa McAlister here on behalf of
13 the OMA Energy Group. Let me know if you can't hear
14 me. The seating's a little bit awkward.

15 Earlier in your discussion you described
16 briefly the rate design proposal, and on page 25 of
17 your testimony you say that the new design is
18 consistent with the framework constructed by SB 221
19 for all customer classes. Do you see that?

20 A. Page 25, which line?

21 Q. Five and 6.

22 A. Five and 6. I do.

23 Q. If you know, does SB 221 mandate a
24

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1 particular rate design?

2 A. I don't believe there's any mandate
3 relative to rate design.

4 Q. And earlier this morning you talked about
5 the fuel clause and some of the other components
6 being variable. Do you recall that?

7 A. Yes.

8 Q. And I believe you said you couldn't
9 predict what customer prices would be given that
10 variability; is that fair?

11 A. And I believe that question was about
12 2014.

13 Q. Okay.

14 A. But, yes, I do recall that.

15 Q. Is it your view that the ESP proposal
16 provides predictable prices for the term of the ESP?

17 A. Yes.

18 Q. And you noted that although the ESP is 29
19 months, you talked a little bit about having longer
20 term implications. Do you recall that discussion?

21 A. Yes.

22 Q. Is it your view that this proposed plan
23 provides customers with long-term price
24 predictability?

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1 A. Yes. It's an attempt to provide a stable
2 framework for long-term investments that can help
3 provide longer term price predictability.

4 Q. So longer beyond 29 months?

5 A. Yes.

6 Q. And do you agree that if the plan was
7 approved as proposed, it would give AEP some cost
8 recovery certainty over a long term period?

9 A. Some? Indicates some certainty?

10 Q. Yes.

11 A. Yes.

12 MS. McALISTER: I have no further
13 questions.

14 THE WITNESS: Thank you.

15 MS. McALISTER: Thank you.

16 MR. NOURSE: I think we're done.

17 MR. LANG: None there? Anne's with you,
18 right.

19 No one on the phone?

20 MR. NOURSE: Are there any questions from
21 attorneys on the phone?

22 (No response.)

23 MR. LANG: Are there any attorneys on the
24 phone?

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1 MR. KRAVITZ: Zach Kravitz, Chester
2 Willcox.

3 MR. STAHL: David Stahl for Exelon
4 Generation. No questions here.

5 MS. HAND: Ormet has no questions.

6 MR. NOURSE: Okay. Thank you. I think
7 we're done.

8 We'll read.

9 (The deposition concluded at 12:50 p.m.)

10 ---

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1 State of Ohio :
2 : SS:

3 County of _____:

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

9 _____
10 Joseph Hamrock

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

18 _____
19 Notary Public

20 My commission expires _____, _____.

21 ---

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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 Joseph
8 Hamrock 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 IN WITNESS WHEREOF, I have hereunto set my
21 hand and affixed my seal of office at Columbus, Ohio,
22 on this 9th day of August, 2011.

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

My commission expires June 19, 2016.
(MDJ-3876A)

ERRATA SHEET

Please do not write on the transcript. Any changes in form or substance you desire to make should be entered upon this sheet.

TO THE REPORTER:

I have read the entire transcript of my deposition taken on the 5th day of August, 2011, or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated. I have signed my name to the signature page and authorize you to attach the same to the original transcript.

[illegible]

Date 8/12/15 Signature: [Signature]



Legal Department

American Electric Power
1 Riverside Plaza
Columbus, OH 43215-2373
AEP.com

August 18, 2011

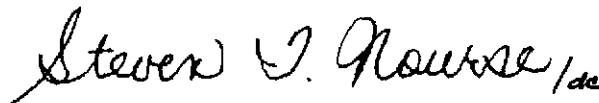
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stnourse@aep.com

Dear Maria:

Please find enclosed the Errata Sheet you provided to me for the deposition of Joseph Hamrock. There are no changes to the deposition transcript of Joseph Hamrock held the 5th day of August, 2011.

Sincerely,


Steven T. Nourse

STN/adc

Enclosure

ERRATA SHEET

Please do not write on the transcript. Any changes in form or substance you desire to make should be entered upon this sheet.

TO THE REPORTER:

I have read the entire transcript of my deposition taken on the 5th day of August, 2011, or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated. I have signed my name to the signature page and authorize you to attach the same to the original transcript.

Page	Line	Change	Reason

Date 8/12/11 Signature: [Signature]