

FILE

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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

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

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

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

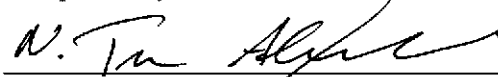
**FIRSTENERGY SOLUTIONS CORP.'S
NOTICE OF FILING DEPOSITION TRANSCRIPTS**

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

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 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
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 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 Laura J. Thomas, 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
 Wednesday, August 10, 2011, at 9:02 a.m.

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<p style="text-align: right;">Page 5</p> <p>1 APPEARANCES VIA SPEAKERPHONE (continued): 2 Mike DeWine, Ohio Attorney General 3 William Wright, Section Chief 4 Public Utilities Section 5 By Mr. Werner L. Margard III 6 Assistant Attorney General 7 180 East Broad Street, 6th Floor 8 Columbus, Ohio 43215-3793 9 On behalf of the staff of the Public 10 Utilities Commission of Ohio. 11 12 ALSO PRESENT: 13 14 Mr. Pat Lawrence; 15 Mr. Kevin Murray; 16 Mr. Mack Thompson; 17 Mr. Bruce Weston. 18 --- 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 7</p> <p>1 Wednesday Morning Session, 2 August 10, 2011. 3 --- 4 (Witness sworn.) 5 MR. KUTIK: Before we begin, there was an 6 individual who joined us on the phone. 7 MR. YURICK: Yes. It's Mark Yurick. 8 MR. KUTIK: Good morning, Mark. 9 MR. YURICK: Good morning. 10 MR. KUTIK: And another person that 11 joined us? 12 MR. LANG: Yes. This is Jim Lang from 13 Calfee. 14 --- 15 LAURA J. THOMAS 16 being by me first duly sworn, as hereinafter 17 certified, deposes and says as follows: 18 EXAMINATION 19 By Mr. Kutik: 20 Q. What's your name? 21 A. My name is Laura J. Thomas. 22 Q. Ms. Thomas, what do you do? 23 A. I'm a managing director in the Regulatory 24 Services department.</p>
<p style="text-align: right;">Page 6</p> <p>1 INDEX 2 --- 3 WITNESS PAGE 4 Laura J. Thomas 5 Examination by Mr. Kutik 7 6 Examination by Mr. Stahl 189 7 Examination by Mr. Yurick 252 8 --- 9 THOMAS DEPOSITION EXHIBITS IDENTIFIED 10 1 - Response to IEU Interrogatory 091 79 11 2 - Response to OCC Interrogatory 010 164 12 3 - Confidential document 185 13 --- 14 15 16 17 18 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 8</p> <p>1 Q. How long have you had that position? 2 A. Since March of 2010. 3 Q. How long have you worked for an AEP 4 affiliated company? 5 A. I've worked for the Service Corporation 6 for 29 years. 7 Q. Did you bring anything to help you with 8 your testimony today? 9 A. I brought my testimony and my workpapers. 10 Q. Okay. Anything else? 11 A. No. 12 Q. In your career do you have experience or 13 expertise in developing models? 14 A. I have worked in various areas in the 15 company where models are used, and I've worked with 16 folks who develop models. 17 Q. Okay. Do you claim to have expertise in 18 modeling? 19 A. I guess it would depend on what your 20 definition of "modeling" is. 21 Q. How would you use that term? 22 A. Well, to me a model is anything that you 23 develop to help determine a cost or something like 24 that.</p>

<p style="text-align: right;">Page 9</p> <p>1 Q. Okay. And do you have expertise in 2 modeling if you use that definition? 3 A. I would consider cost of service to be a 4 form of modeling. 5 Q. And so because you have expertise or 6 experience in cost-of-service studies you would 7 consider yourself as having expertise in modeling? 8 A. As I said earlier, I've also worked with 9 people and people have reported to me who do have 10 expertise in modeling. 11 Q. Well, do you claim expertise in something 12 because people who work for you have that expertise? 13 A. I certainly have knowledge of certain 14 things. 15 Q. My question, ma'am, was expertise. Do 16 you claim to have expertise in modeling for models 17 other than a cost-of-service study? 18 A. I guess I'm not sure what you mean by 19 "expertise." 20 Q. Okay. You have no understanding of what 21 that term means? 22 A. Well, I'm not sure how you're using the 23 term. 24 Q. How do you understand that term?</p>	<p style="text-align: right;">Page 11</p> <p>1 developed models. I worked on development of 2 elasticity models early in my career. 3 Q. Other than those, the development of the 4 elasticity models and cost-of-service studies, you 5 have not worked to develop any other models, correct? 6 A. Not that I recall. 7 Q. Okay. Prior to this year had you worked 8 with a model called the Black-Scholes model? 9 A. No. 10 Q. Prior to this year had you worked with a 11 model called the Black model? 12 A. No. 13 Q. Do you claim expertise in the 14 Black-Scholes model? 15 A. I understand the Black model and -- I 16 understand it. We've utilized it. I've discussed 17 it. I understand it. 18 Q. Do you claim you're an expert in that 19 now? 20 A. In terms of understanding, being able to 21 explain and utilize it, yes. 22 Q. Now, is it correct to say that your use 23 of the Black model or the Black-Scholes model during 24 this year has been confined to the two cases that</p>
<p style="text-align: right;">Page 10</p> <p>1 A. As I said, in my view, expertise from 2 working with people who develop models and have 3 worked with people and have had people report to me 4 who work with models. 5 Q. So because people have reported to you 6 who do models you claim expertise in that, correct? 7 A. As I defined it, yes. 8 Q. Okay. You have not personally worked 9 with models other than a cost-of-service study, 10 correct? 11 A. I've not personally developed models, but 12 I have worked with people who have developed models 13 where we have utilized the results of that. 14 Q. Ma'am, that wasn't my question. My 15 question is have you personally worked with models 16 other than a cost-of-service study? 17 A. I have utilized the output of various 18 models; I have not developed them. 19 Q. Okay. Do you have -- so you have not 20 developed any models. 21 A. I've developed cost-of-service studies. 22 Q. Other than cost-of-service studies in 23 your career you have not developed any models. 24 A. Oh, I believe early in my career we</p>	<p style="text-align: right;">Page 12</p> <p>1 AEP-Ohio has before the Commission, and I'll call 2 them the ESP I case and this case? Fair to say? 3 A. Yes. 4 Q. So you've used those models only for 5 purposes of the litigation or hearing of those cases, 6 correct? 7 A. Yes. 8 Q. In your work with those models did you 9 review any academic literature with respect to the 10 proper use of those models, and by "those models" I 11 mean either the Black-Scholes model or the Black 12 model? 13 A. I recall reading portions of textbooks 14 related to use of the Black model. 15 Q. What textbook or textbooks did you read? 16 A. I believe it was Hull. 17 Q. H-u-l-l? 18 A. Yes, is the author. 19 Q. Would you regard the Hull treatise as 20 authoritative on the subject of the Black model and 21 the proper use of the Black model? 22 A. I believe it's a textbook that explains 23 various aspects of the Black model and the use of it. 24 Q. And that's where you obtained your</p>

3 (Pages 9 to 12)

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<p>1 information, correct?</p> <p>2 A. That and discussions with other folks.</p> <p>3 Q. But in terms of academic literature,</p> <p>4 that's what you read, correct?</p> <p>5 A. That's the one I recall.</p> <p>6 Q. Right. That's what you relied upon,</p> <p>7 correct?</p> <p>8 A. That's the one that I recall --</p> <p>9 Q. Right.</p> <p>10 A. -- having read.</p> <p>11 Q. And you relied upon that, along with</p> <p>12 other information that you got from what people told</p> <p>13 you, to come up with your views as to the proper use</p> <p>14 of the Black model, correct?</p> <p>15 A. Yes.</p> <p>16 Q. And so it would be appropriate for other</p> <p>17 people to go out and look at that book and rely on</p> <p>18 that book in terms of coming up to a view as to</p> <p>19 what's the proper use of the Black model, correct?</p> <p>20 MR. SATTERWHITE: Objection. Go ahead.</p> <p>21 A. I can't speak to what other people might</p> <p>22 do.</p> <p>23 Q. Well, you said that you would claim</p> <p>24 expertise in the use of the Black model, correct?</p>	<p>1 she is answering the question.</p> <p>2 MR. KUTIK: No, she isn't answering.</p> <p>3 MR. SATTERWHITE: She's not giving you</p> <p>4 the answer you want. That doesn't mean she's not</p> <p>5 answering the question.</p> <p>6 MR. KUTIK: She isn't answering the</p> <p>7 question and you know it, so stop coaching.</p> <p>8 MR. SATTERWHITE: I'm just saying, listen</p> <p>9 to her answer.</p> <p>10 MR. KUTIK: I did. It was a "yes" or</p> <p>11 "no" answer.</p> <p>12 THE WITNESS: What was the question?</p> <p>13 MR. KUTIK: Could you please read it,</p> <p>14 Maria.</p> <p>15 MR. SATTERWHITE: She's entitled to --</p> <p>16 MR. KUTIK: I'm entitled to an answer.</p> <p>17 (Record read.)</p> <p>18 A. Under my definition of "expertise," okay,</p> <p>19 if you have knowledge and understanding of something,</p> <p>20 you could be an expert.</p> <p>21 Q. So you don't need to have experience or</p> <p>22 training to be an expert; is that fair to say?</p> <p>23 A. Under my definition, knowledge and</p> <p>24 understanding of something can be an expert.</p>
Page 14	Page 16
<p>1 A. Under my definition of "expertise" as we</p> <p>2 discussed earlier.</p> <p>3 Q. Correct. And as someone who would have</p> <p>4 facility to be able to use and explain the Black</p> <p>5 model, that would be a definition of an expertise,</p> <p>6 correct?</p> <p>7 A. Could you repeat that?</p> <p>8 Q. Sure. Would you agree with me that an</p> <p>9 expert is someone who has facility in the use and</p> <p>10 explanation of a subject matter?</p> <p>11 A. Yes. I believe that's how I described it</p> <p>12 earlier.</p> <p>13 Q. Right. And someone has expertise if they</p> <p>14 have training and experience in the subject matter,</p> <p>15 correct?</p> <p>16 A. I think if they have knowledge of it,</p> <p>17 knowledge of the subject matter.</p> <p>18 Q. Okay. Well, does one need to have</p> <p>19 experience or training in a subject to be an expert?</p> <p>20 A. I think if one has knowledge and</p> <p>21 understanding of something, they can be an expert.</p> <p>22 Q. That's not my question. So please answer</p> <p>23 my question.</p> <p>24 MR. SATTERWHITE: I'll object. I think</p>	<p>1 Q. My question simply is, do you need either</p> <p>2 experience or training to be an expert? That's a</p> <p>3 "yes" or "no" question. Can you answer that "yes" or</p> <p>4 "no"?</p> <p>5 A. It's not a "yes" or "no" question.</p> <p>6 Q. Yes, it is.</p> <p>7 A. Your answer is an "or."</p> <p>8 Q. Do you need experience or training to be</p> <p>9 an expert? Can you answer that question?</p> <p>10 A. Experience can be knowledge and use.</p> <p>11 Q. Okay. So fine, so as long as you have</p> <p>12 experience through knowledge and use, you can be an</p> <p>13 expert, correct?</p> <p>14 A. Under the definition we've been talking</p> <p>15 about.</p> <p>16 Q. Okay. Now, did you read any textbook or</p> <p>17 any other academic literature other than the Hull</p> <p>18 textbook?</p> <p>19 A. As I said earlier, that's the one I</p> <p>20 recall.</p> <p>21 Q. Okay. Well, do you recall reading other</p> <p>22 materials?</p> <p>23 A. I don't recall.</p> <p>24 Q. What was the name of the Hull textbook?</p>

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<p>1 A. I don't have the title in front of me.</p> <p>2 Q. Okay. Now, you said that you talked to</p> <p>3 people about the Black model, correct?</p> <p>4 A. Yes, I did.</p> <p>5 Q. And who were the people that you talked</p> <p>6 to?</p> <p>7 A. I talked to people within the company,</p> <p>8 within our Market Risk Analytics group and people</p> <p>9 within our Regulatory group.</p> <p>10 Q. And who within the Market Risk Analytics</p> <p>11 group did you talk to?</p> <p>12 A. I talked with a number of people.</p> <p>13 Q. Can you give me their names, please?</p> <p>14 A. John Kinateder.</p> <p>15 Q. Can you spell that?</p> <p>16 A. K-i-n-a-t-e-d-e-r.</p> <p>17 Jason Westfall. Shu Su.</p> <p>18 Q. Spell that, please.</p> <p>19 A. S-h-u, last name S-u. I believe that's</p> <p>20 how you spell it.</p> <p>21 Q. Okay.</p> <p>22 A. And in the Regulatory, Scott Mertz.</p> <p>23 Q. Mertz?</p> <p>24 A. Mertz, M-e-r-t-z.</p>	<p>1 Q. All right. So you relied on what they</p> <p>2 told you, correct?</p> <p>3 A. That, and my additional reading and</p> <p>4 things like that.</p> <p>5 Q. Okay. So what we have so far in terms of</p> <p>6 the information that you've gathered is at least one</p> <p>7 textbook that you can recall and discussions with</p> <p>8 five people; fair to say?</p> <p>9 A. That I recall, yes.</p> <p>10 Q. Now, did any of these people, as far</p> <p>11 as -- well, I'll back up.</p> <p>12 Do you know what the responsibilities are</p> <p>13 of the five people that you talked to?</p> <p>14 A. Generally, yes.</p> <p>15 Q. For any of these five people do they have</p> <p>16 experience on a regular basis in using the Black</p> <p>17 model?</p> <p>18 A. I guess I don't know about regular basis,</p> <p>19 but they do have experience in the Black model.</p> <p>20 Q. Okay. Is there anyone who has more</p> <p>21 experience than others of the five people that you</p> <p>22 mentioned?</p> <p>23 A. The Market Risk Analytics group, they do</p> <p>24 modeling and so option modeling and things like that</p>
Page 18	Page 20
<p>1 And Matt Nolenberger.</p> <p>2 Q. Matt Nolenberger?</p> <p>3 A. Uh-huh.</p> <p>4 Q. Is that a "yes"?</p> <p>5 A. Yes.</p> <p>6 Q. Does the Market Risk Analytics group</p> <p>7 report to you?</p> <p>8 A. At this time, no.</p> <p>9 Q. Okay. Did the Market Risk Analytics</p> <p>10 group report to you at one point in time in your</p> <p>11 career?</p> <p>12 A. Yes.</p> <p>13 Q. When?</p> <p>14 A. I believe that was 2005 through 2007.</p> <p>15 Q. Does the Regulatory group report to you?</p> <p>16 A. No, those people do not report to me.</p> <p>17 Q. So none of the people that you talked</p> <p>18 to -- I'll back up.</p> <p>19 Would it be fair to say that you relied</p> <p>20 upon the information that these five people gave you</p> <p>21 about the Black model to form your views about the</p> <p>22 proper use of the model?</p> <p>23 A. I relied on our discussions, which was,</p> <p>24 you know, questions and answers back and forth.</p>	<p>1 are part of their normal responsibilities.</p> <p>2 Q. And is it your understanding that they</p> <p>3 have used the Black model for purposes other than</p> <p>4 this case and the ESP I case?</p> <p>5 A. I don't recall specifically what other</p> <p>6 uses they may or may not have had.</p> <p>7 Q. So it would be fair to say that you</p> <p>8 cannot say whether anyone within the AEP companies</p> <p>9 has used the Black model for purposes other than this</p> <p>10 case or the ESP I case.</p> <p>11 A. I don't know.</p> <p>12 Q. So you don't know that that's the case,</p> <p>13 whether they have or they haven't.</p> <p>14 A. Right.</p> <p>15 Q. Now, in your study of the Black model are</p> <p>16 you aware of any case other than the ESP I case and</p> <p>17 this case in which that model, the Black model, has</p> <p>18 been used to identify the cost involved in the</p> <p>19 risks -- the cost of the risks involved in POLR</p> <p>20 service?</p> <p>21 A. I am -- no, I am not aware of where</p> <p>22 that's specifically been used.</p> <p>23 Q. So as far as you know this case and the</p> <p>24 ESP I case may be the only cases in which the Black</p>

<p style="text-align: right;">Page 21</p> <p>1 model has been used for that purpose.</p> <p>2 A. It may be.</p> <p>3 Q. As far as you know, that's the case.</p> <p>4 A. As far as I know.</p> <p>5 Q. Now, there's also a modification of the</p> <p>6 Black-Scholes that -- the Black model that you've</p> <p>7 used in this case, correct?</p> <p>8 A. We've used the constrained model.</p> <p>9 Q. And that's a modification of the Black</p> <p>10 model, correct, or would that be a fair thing to say?</p> <p>11 A. I don't consider it a modification. It</p> <p>12 is the Black model. It is using the Black model in</p> <p>13 conjunction with constraints to determine the cost of</p> <p>14 the POLR risk.</p> <p>15 Q. So there was no -- the only thing the</p> <p>16 constrained model did was to use different inputs;</p> <p>17 fair to say?</p> <p>18 A. It uses -- it adds the constraints and it</p> <p>19 models it using the black formula.</p> <p>20 Q. Okay. So when we talk about the Black</p> <p>21 model, would it be fair to say that it is a series of</p> <p>22 formulas or a formula?</p> <p>23 A. Yeah. The constrained model is a series</p> <p>24 of options.</p>	<p style="text-align: right;">Page 23</p> <p>1 A. Well, there are certain basic inputs</p> <p>2 whether you're talking about the constrained or the</p> <p>3 unconstrained, but the constrained also incorporates</p> <p>4 the switching constraints that apply to customers.</p> <p>5 Q. So the constrained model or version used</p> <p>6 different inputs than the unconstrained model or</p> <p>7 version, correct?</p> <p>8 A. If you consider the constraints an input,</p> <p>9 then yes, otherwise, I'm not sure what you're talking</p> <p>10 about.</p> <p>11 Q. All right. Well, would it be</p> <p>12 unreasonable to define or term the constraints as an</p> <p>13 input?</p> <p>14 A. I guess I don't view them as an input.</p> <p>15 Q. So you would view that unreasonable to</p> <p>16 term that way.</p> <p>17 A. That's not what I said.</p> <p>18 Q. Well, then would it be reasonable to term</p> <p>19 it, the constraints, as inputs as someone like me who</p> <p>20 doesn't use the Black model?</p> <p>21 A. The constraints are part of the model and</p> <p>22 I suppose someone could characterize them as inputs.</p> <p>23 Q. Okay.</p> <p>24 A. I don't view them that way.</p>
<p style="text-align: right;">Page 22</p> <p>1 Q. That wasn't my question. Let's start</p> <p>2 with the Black model, okay. The Black model can be</p> <p>3 viewed as either a formula or a series of formulas,</p> <p>4 correct?</p> <p>5 A. Well, the Black model determines the cost</p> <p>6 of an option and we used a series of formulas because</p> <p>7 of how the constrained model is constructed to do</p> <p>8 that.</p> <p>9 Q. My question wasn't about the constrained</p> <p>10 model. My question was about the Black model.</p> <p>11 A. I don't recall the specific formula.</p> <p>12 Q. If I went somewhere to look at what the</p> <p>13 Black model is, what I would see would be a series of</p> <p>14 formulas, correct?</p> <p>15 A. I guess you could characterize it as a</p> <p>16 series of formulas, yes.</p> <p>17 Q. Okay. And the constrained model or the</p> <p>18 constrained version that you used used specific</p> <p>19 inputs that might have been different from the</p> <p>20 unconstrained model that you ran, correct?</p> <p>21 A. Could you define "inputs"?</p> <p>22 Q. Things that you use to put into the</p> <p>23 formula whether they be assumptions or numerical</p> <p>24 values.</p>	<p style="text-align: right;">Page 24</p> <p>1 Q. Okay. Now, do you have expertise,</p> <p>2 experience, or training in forecasting?</p> <p>3 A. I have not done forecasting. I have</p> <p>4 worked with people who do forecasting, and I have</p> <p>5 utilized forecasted data.</p> <p>6 Q. Although you've utilized forecasted data,</p> <p>7 you don't have experience or training in forecasting;</p> <p>8 fair to say?</p> <p>9 A. No, I have not done forecasting.</p> <p>10 Q. Are there groups within AEP who do</p> <p>11 forecasting?</p> <p>12 A. Yes.</p> <p>13 Q. And is forecasting a part of the normal</p> <p>14 operations of the AEP companies?</p> <p>15 A. Different types of forecasting, yes.</p> <p>16 Q. Okay. Would, for example, financial</p> <p>17 forecasting be an important function within the AEP</p> <p>18 companies?</p> <p>19 A. Sure.</p> <p>20 Q. Would forecasting about capital</p> <p>21 expenditures also be important to the AEP companies?</p> <p>22 A. Yes.</p> <p>23 Q. That's something the AEP companies</p> <p>24 regularly do, correct?</p>

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<p>1 A. Yes.</p> <p>2 Q. Would forecasting about budgets be a</p> <p>3 regular and important part of what the AEP companies</p> <p>4 do?</p> <p>5 A. Yes.</p> <p>6 Q. Would forecasting about revenues be an</p> <p>7 important part and a regular part of what the AEP</p> <p>8 companies do?</p> <p>9 A. Yes.</p> <p>10 Q. Is there a particular group or department</p> <p>11 within the AEP companies that does those type of</p> <p>12 forecasts, the ones we've just talked about?</p> <p>13 A. Our Corporate Planning and Budgeting</p> <p>14 department.</p> <p>15 Q. Do they report to you?</p> <p>16 A. No.</p> <p>17 Q. Does the Corporate Planning and Budgeting</p> <p>18 department report to any witness in this case?</p> <p>19 A. I don't believe so.</p> <p>20 Q. Is there a person who heads the Corporate</p> <p>21 Planning and Budget department?</p> <p>22 A. Yes.</p> <p>23 Q. Who's that?</p> <p>24 A. Lonnie Dieck.</p>	<p>1 with the Securities & Exchange Commission like 10-Ks,</p> <p>2 10-Qs, things like that?</p> <p>3 A. Well, the 10-K and the 10-Q are typically</p> <p>4 historic data, historic accounting data.</p> <p>5 Q. Would there be any forecasted data</p> <p>6 provided in that?</p> <p>7 A. I believe that there is generally</p> <p>8 discussion about forward information, but forecasted</p> <p>9 data is not typically contained within the 10-K to my</p> <p>10 knowledge.</p> <p>11 Q. Information that's provided to investors</p> <p>12 about the future operations of the company, that's</p> <p>13 done from time to time; is it not?</p> <p>14 A. I believe so.</p> <p>15 Q. And is the information that appears in</p> <p>16 those materials derived from the Corporate Planning</p> <p>17 and Budget department?</p> <p>18 A. I don't know.</p> <p>19 Q. You've not been involved in preparing</p> <p>20 those type of materials?</p> <p>21 A. No.</p> <p>22 Q. What I said was correct, you have not</p> <p>23 been involved.</p> <p>24 A. Right. I've not typically been involved</p>
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<p>1 Q. Could you spell that person's last name.</p> <p>2 A. D-i-e-c-k.</p> <p>3 Q. Who is -- is that a Mr. Dieck or</p> <p>4 Ms. Dieck?</p> <p>5 A. Ms.</p> <p>6 Q. Who does Ms. Dieck report to?</p> <p>7 A. Brian Tierney.</p> <p>8 Q. What's his title?</p> <p>9 A. CFO.</p> <p>10 Q. Have you in your work for AEP over the 29</p> <p>11 years I think that you said you worked for the</p> <p>12 service company, you regularly rely upon information</p> <p>13 that the Corporate Planning and Budgeting department</p> <p>14 provides?</p> <p>15 A. In various positions in my career, yes.</p> <p>16 Q. Okay. And is it one of the functions of</p> <p>17 the Corporate Planning and Budget department to give</p> <p>18 the very best estimates of forecasts that they can on</p> <p>19 financial matters, capital expenditures, things like</p> <p>20 that?</p> <p>21 A. I would think so.</p> <p>22 Q. Are you aware of whether the information</p> <p>23 provided by the Corporate Planning and Budgeting</p> <p>24 department is used in materials that are filed by AEP</p>	<p>1 in those things.</p> <p>2 Q. Do you have any expertise in customer</p> <p>3 marketing?</p> <p>4 A. No.</p> <p>5 Q. Do you have any expertise in the study of</p> <p>6 consumer behavior?</p> <p>7 A. I guess I would say to the extent that I</p> <p>8 had responsibility for designing customer rates and</p> <p>9 worked with our customer and Marketing department to</p> <p>10 determine various aspects of those throughout my</p> <p>11 career, that would be my knowledge.</p> <p>12 Q. Okay. So just to the extent that you've</p> <p>13 helped design rates and working with the Marketing</p> <p>14 department, that's been the extent of your</p> <p>15 involvement into the study of customer behavior.</p> <p>16 A. Yes.</p> <p>17 Q. You have -- have you participated -- let</p> <p>18 me back up. Is there something you want to add?</p> <p>19 A. No.</p> <p>20 Q. Have you participated in any -- well,</p> <p>21 I'll back up.</p> <p>22 Are you aware of whether AEP has done any</p> <p>23 type of consumer marketing studies, and I'll say like</p> <p>24 ever?</p>

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<p>1 A. I believe so.</p> <p>2 Q. Okay. Have you seen those?</p> <p>3 A. I'm thinking back many, many years ago.</p> <p>4 Q. Would it be fair to say that you're not</p> <p>5 aware of any consumer marketing studies that AEP</p> <p>6 might have done, let's say, for the last five years?</p> <p>7 A. No.</p> <p>8 Q. You're not aware.</p> <p>9 A. No.</p> <p>10 Q. So what I said was correct, you're not</p> <p>11 aware.</p> <p>12 A. That's right.</p> <p>13 Q. Okay. Do you claim any expertise in the</p> <p>14 energy market in Ohio?</p> <p>15 A. I'm not sure what you mean by "the energy</p> <p>16 market in Ohio."</p> <p>17 Q. Well, how would you define that term, the</p> <p>18 energy market in Ohio?</p> <p>19 A. I guess I would define it as how things</p> <p>20 work in terms of, you know, who the buyers and</p> <p>21 sellers are and, you know, what generally the</p> <p>22 obligations of EDUs versus the obligations of other</p> <p>23 parties in Ohio.</p> <p>24 Q. Okay. And you would claim to have</p>	<p>1 competitive bidding processes to supply a POLR load</p> <p>2 or part of a POLR load?</p> <p>3 A. Are you taking about in Ohio or</p> <p>4 elsewhere?</p> <p>5 Q. Anywhere.</p> <p>6 A. We have our Commercial Operations group</p> <p>7 that has participated in various auctions and I don't</p> <p>8 know to what extent AEP Retail has participated in</p> <p>9 any of those.</p> <p>10 Q. Is the Commercial Operations group</p> <p>11 different than AEP Retail?</p> <p>12 A. Yes.</p> <p>13 Q. So it's your view -- you think that the</p> <p>14 Commercial Operations group has participated in those</p> <p>15 auctions, but you're not sure whether Retail has.</p> <p>16 A. That's right.</p> <p>17 Q. Does the Commercial Operations group</p> <p>18 report to you?</p> <p>19 A. No.</p> <p>20 Q. Does AEP Retail report to you?</p> <p>21 A. No.</p> <p>22 Q. Do you work in your career in either one</p> <p>23 of those organizations?</p> <p>24 A. I worked in Commercial Operations for two</p>
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<p>1 expertise in that area.</p> <p>2 A. I have knowledge of those things.</p> <p>3 Q. That wasn't my question. My question is</p> <p>4 do you claim to have expertise in that area?</p> <p>5 A. If you define "expertise" as having</p> <p>6 knowledge in those areas, yes.</p> <p>7 Q. I define "expertise" as having</p> <p>8 experience and training in the area; do you have</p> <p>9 that?</p> <p>10 A. I have knowledge in those areas.</p> <p>11 Q. But not experience or training.</p> <p>12 A. Well, I have not -- I guess I'm not a</p> <p>13 participant in that market other than being a retail</p> <p>14 customer, and I haven't had specific training, but I</p> <p>15 don't know what training would exist to do that.</p> <p>16 Q. Okay. In your career -- well, I'll back</p> <p>17 up.</p> <p>18 AEP has a group, I'm talking about all</p> <p>19 the AEP companies now, has a group or a subsidiary</p> <p>20 that participates in competitive bidding processes</p> <p>21 for wholesale load, correct?</p> <p>22 A. Could you repeat that?</p> <p>23 Q. Sure. Are you aware of whether there is</p> <p>24 a group within AEP that has participated in</p>	<p>1 years.</p> <p>2 Q. When was that?</p> <p>3 A. 2003 to 2005.</p> <p>4 Q. During your time in the Commercial</p> <p>5 Operations group in 2003-2005 do you know whether</p> <p>6 that group participated in any competitive bidding</p> <p>7 processes to supply POLR load or part of the POLR</p> <p>8 load?</p> <p>9 A. I don't know.</p> <p>10 Q. Okay. Would it be fair to say that in</p> <p>11 your career you have not participated in any AEP</p> <p>12 efforts to participate in competitive bidding</p> <p>13 processes to supply POLR load or part of POLR load?</p> <p>14 A. I did not participate in that, no.</p> <p>15 Q. So it would be fair to say that you have</p> <p>16 not had any experience in developing bids to</p> <p>17 participate in a competitive bidding process to</p> <p>18 supply POLR load.</p> <p>19 A. I have not developed any bids, no.</p> <p>20 Q. When did you say you obtained your</p> <p>21 current job?</p> <p>22 A. March of 2010.</p> <p>23 Q. And how long were you in your prior</p> <p>24 position?</p>

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<p>1 A. From 2005 through 2010.</p> <p>2 Q. What was that position?</p> <p>3 A. I held positions in the Risk area.</p> <p>4 Q. And what was the last position you had in</p> <p>5 the Risk area?</p> <p>6 A. Vice President of Enterprise Risk and</p> <p>7 Insurance.</p> <p>8 Q. What were your responsibilities in that</p> <p>9 job?</p> <p>10 A. I had responsibility for overseeing the</p> <p>11 company's enterprise risk program as well as the</p> <p>12 insurance area which included procurement of</p> <p>13 insurance, handling of -- groups working for me</p> <p>14 handled -- procured insurance, handled claims both</p> <p>15 against AEP as well as AEP against other parties.</p> <p>16 Q. Okay. And when you say you oversaw the</p> <p>17 enterprise risk, what does that mean?</p> <p>18 A. The group was responsible for reviewing</p> <p>19 the various risks, working with the business units</p> <p>20 discussing those risks, aggregating those risks.</p> <p>21 Q. What does that mean?</p> <p>22 A. Well, looking at risks that cut across</p> <p>23 multiple parts of the company.</p> <p>24 Q. Were plans or strategies developed within</p>	<p>1 you?</p> <p>2 A. Hedging is where you are taking action to</p> <p>3 mitigate that risk in some form or another.</p> <p>4 Q. And was hedging a strategy that was used</p> <p>5 to mitigate risk or has it been used by AEP?</p> <p>6 A. Well, I guess by definition it has.</p> <p>7 Q. Okay. And when the plans that were</p> <p>8 developed to mitigate risks, the ones you talked</p> <p>9 about earlier, did they include hedging strategies?</p> <p>10 A. Sometimes.</p> <p>11 Q. And did these plans that may have</p> <p>12 included hedging strategies also include what it</p> <p>13 might cost to implement those strategies?</p> <p>14 A. My recollection is sometimes.</p> <p>15 Q. Sometimes?</p> <p>16 Did you have any role in the preparation</p> <p>17 of the company's ESP I case?</p> <p>18 A. Only in the remand phase.</p> <p>19 Q. So, for example, you did not have any</p> <p>20 role in helping Mr. Baker prepare his testimony.</p> <p>21 A. No.</p> <p>22 Q. Or, in fact, you did not have a role in</p> <p>23 helping any other witness prepare their testimony</p> <p>24 other than potentially in the remand case, correct?</p>
Page 34	Page 36
<p>1 your group to deal with those risks or was that</p> <p>2 something to be done by the folks in the business</p> <p>3 units?</p> <p>4 A. That was pretty much done within the</p> <p>5 business units.</p> <p>6 Q. Did you work or did your group work with</p> <p>7 them to develop those plans?</p> <p>8 A. Generally they were developed by the</p> <p>9 business units and then pieces were looked at for</p> <p>10 reporting to senior management.</p> <p>11 Q. Okay. So they would, the units would</p> <p>12 develop them and then you would be part -- have some</p> <p>13 input into what those plans might be.</p> <p>14 A. It was more of reporting what those plans</p> <p>15 would be and how those things cut across business</p> <p>16 units.</p> <p>17 Q. So it was your job merely to report that</p> <p>18 these plans existed?</p> <p>19 A. Or didn't exist, yeah.</p> <p>20 Q. Are you familiar with the term "hedging"?</p> <p>21 A. Yes.</p> <p>22 Q. As it relates to risk.</p> <p>23 A. Uh-huh. Yes.</p> <p>24 Q. What does that term mean, hedging, to</p>	<p>1 A. That's correct.</p> <p>2 Q. When did you first become involved in the</p> <p>3 preparation for the company's, AEP-Ohio's, current</p> <p>4 ESP application?</p> <p>5 A. My recollection is sometime late in 2010.</p> <p>6 Q. And were you asked to participate or did</p> <p>7 you volunteer to participate?</p> <p>8 A. I was asked to participate.</p> <p>9 Q. And who asked you?</p> <p>10 A. My boss.</p> <p>11 Q. Who is that?</p> <p>12 A. Rich Munczski.</p> <p>13 Q. And what were you asked to do?</p> <p>14 A. I was asked to work on the issues that I</p> <p>15 present in my testimony.</p> <p>16 Q. So it would be fair to say that your role</p> <p>17 in this case has been solely the preparation of your</p> <p>18 testimony.</p> <p>19 A. Yes.</p> <p>20 Q. Have you participated in answering</p> <p>21 discovery?</p> <p>22 A. Yes.</p> <p>23 Q. So that's been something else you've done</p> <p>24 in this case.</p>

<p style="text-align: right;">Page 37</p> <p>1 A. Yes.</p> <p>2 Q. Other than preparing your testimony and</p> <p>3 responding to discovery and getting ready and sitting</p> <p>4 here at your deposition has there been anything else</p> <p>5 that you have done in this case?</p> <p>6 A. Not that I can recall.</p> <p>7 Q. Now, in this case did you attempt to come</p> <p>8 to an opinion as to whether the company's proposed</p> <p>9 ESP is more beneficial in the aggregate than an MRO?</p> <p>10 A. I prepared a quantitative analysis that</p> <p>11 Mr. Hamrock uses in determining -- that he uses in</p> <p>12 conjunction with other things in looking at an MRO in</p> <p>13 the aggregate or an ESP in the aggregate.</p> <p>14 Q. But you have not come to an opinion as to</p> <p>15 whether the ESP is more beneficial in the aggregate</p> <p>16 than an MRO, correct?</p> <p>17 A. I believe it is.</p> <p>18 Q. So your opinion -- you do have an opinion</p> <p>19 on that subject.</p> <p>20 A. I agree with Mr. Hamrock on that subject.</p> <p>21 Q. Okay. And your opinion is based largely</p> <p>22 on your testimony?</p> <p>23 A. My testimony in conjunction with</p> <p>24 Mr. Hamrock's testimony and his view.</p>	<p style="text-align: right;">Page 39</p> <p>1 A. I believe there may have been some prior</p> <p>2 versions, but with just, you know, minor tweaking to</p> <p>3 get to the final version, but the substance never</p> <p>4 changed.</p> <p>5 Q. Do you recall when the first time you had</p> <p>6 discussion with Mr. Hamrock was about your testimony?</p> <p>7 A. No.</p> <p>8 Q. Did you have any responsibilities for</p> <p>9 preparing the value for rider GSR in this case?</p> <p>10 A. No.</p> <p>11 Q. Do you have an understanding of what</p> <p>12 that's based on?</p> <p>13 A. I'd have to look at it to recall.</p> <p>14 Q. Okay. Did you have any discussions with</p> <p>15 anyone about rider GSR and what it's based on?</p> <p>16 A. I don't recall.</p> <p>17 Q. So as you sit here today you have no</p> <p>18 understanding of what rider GSR is based on?</p> <p>19 MR. SATTERWHITE: Objection. That's not</p> <p>20 what she said.</p> <p>21 Q. Well, can you answer that question,</p> <p>22 please?</p> <p>23 A. There's a number of different riders. I</p> <p>24 would have to look at the rider to refresh my memory</p>
<p style="text-align: right;">Page 38</p> <p>1 Q. And you understand that Mr. Hamrock is</p> <p>2 relying on your testimony, correct?</p> <p>3 A. He's relying on my testimony for a</p> <p>4 quantitative piece that he uses in the overall</p> <p>5 determination of an ESP in the aggregate.</p> <p>6 Q. Now, other than your testimony what</p> <p>7 information have you provided to Mr. Hamrock about</p> <p>8 your work in this case?</p> <p>9 A. Nothing else that I can recall other than</p> <p>10 just discussions.</p> <p>11 Q. So you did have discussions with him.</p> <p>12 A. Sure.</p> <p>13 Q. Okay. And how many discussions did you</p> <p>14 have with him?</p> <p>15 A. I don't know.</p> <p>16 Q. Countless?</p> <p>17 A. I don't recall how many discussions.</p> <p>18 Q. It would have been more than 20?</p> <p>19 A. I don't know. I don't recall.</p> <p>20 Q. Could be?</p> <p>21 A. I don't know.</p> <p>22 Q. Okay. Were there various versions of</p> <p>23 your testimony that you discussed with him or was it</p> <p>24 just the final version?</p>	<p style="text-align: right;">Page 40</p> <p>1 as to the details.</p> <p>2 Q. So, again, sitting here today you can't</p> <p>3 tell me what the basis of rider GSR is, correct?</p> <p>4 A. I would have to look at it to refresh my</p> <p>5 memory. I don't recall. There's a lot of pieces.</p> <p>6 Q. Do you know what rider GSR is sitting</p> <p>7 here today?</p> <p>8 A. Again, I'd have to look at it to be sure.</p> <p>9 Q. So you can't --</p> <p>10 A. I would be speculating. I need to look</p> <p>11 at it to be sure.</p> <p>12 Q. Okay. Well, let me have you turn to your</p> <p>13 testimony. Do you have that before you?</p> <p>14 A. Yes, I do.</p> <p>15 Q. Let me refer you to your direct</p> <p>16 testimony. Do you have that in front of you as well?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Is that a "yes"?</p> <p>19 A. Yes.</p> <p>20 Q. And let me have you refer to Exhibit</p> <p>21 LJT-2. That is a list by you or a display by you of</p> <p>22 the various components of a potential MRO price and</p> <p>23 comparing it to the proposed ESP price, correct?</p> <p>24 A. Yes. It's a comparison of the generation</p>

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<p>1 service price under an ESP with under an MRO.</p> <p>2 Q. But line 12 shows the proposed ESP price,</p> <p>3 correct?</p> <p>4 A. Yes.</p> <p>5 Q. And where's that come from?</p> <p>6 A. That is the -- that was provided to me by</p> <p>7 Mr. Roush.</p> <p>8 Q. Do you know what goes into the proposed</p> <p>9 ESP price?</p> <p>10 A. It is the generation service price in</p> <p>11 line 4 plus a base G rate increase.</p> <p>12 Q. And is that base G rate increase and the</p> <p>13 generation service price all part of one rider or</p> <p>14 rate as proposed by AEP-Ohio in this case?</p> <p>15 A. No.</p> <p>16 Q. Okay. Are they different?</p> <p>17 A. Well, there are different aspects to it.</p> <p>18 There's fuel and environmental as shown in lines 1</p> <p>19 through 4.</p> <p>20 Q. So the proposed ESP price includes</p> <p>21 environmental and fuel.</p> <p>22 A. Yes.</p> <p>23 Q. It also includes some generation service</p> <p>24 charge.</p>	<p>1 rider.</p> <p>2 Q. So your answer is you don't know how they</p> <p>3 were developed, correct?</p> <p>4 A. That's correct.</p> <p>5 Q. Do you know whether it was based upon any</p> <p>6 cost-of-service study?</p> <p>7 A. To my knowledge, there was no</p> <p>8 cost-of-service study done in this case.</p> <p>9 Q. All right. Would it be fair to say that</p> <p>10 that rider, the base generation service rider</p> <p>11 whatever it's called, is not based upon or is not</p> <p>12 intended to recover any specific costs?</p> <p>13 A. That rider is the proposed rate. It's</p> <p>14 not tied to any one specific cost.</p> <p>15 Q. So it's not intended to recover any</p> <p>16 specific cost, correct?</p> <p>17 A. To my knowledge.</p> <p>18 Q. Correct?</p> <p>19 A. To my knowledge.</p> <p>20 Q. Yes, to your knowledge, correct?</p> <p>21 A. Yes.</p> <p>22 Q. Thank you.</p> <p>23 Now, are you aware of whether there is a</p> <p>24 different base generation service charge for</p>
Page 42	Page 44
<p>1 A. Yes. A base service charge.</p> <p>2 Q. Okay. Do you understand rider GSR to be</p> <p>3 that charge?</p> <p>4 A. Mr. Roush developed various riders based</p> <p>5 upon the proposed rates.</p> <p>6 MR. KUTIK: Could you read my question,</p> <p>7 please, Maria.</p> <p>8 Q. And could you answer it, please, ma'am.</p> <p>9 THE WITNESS: Could you repeat the</p> <p>10 question.</p> <p>11 (Record read.)</p> <p>12 A. I don't have that rider in front of me.</p> <p>13 I don't know exactly what number is in that rider --</p> <p>14 Q. Okay.</p> <p>15 A. -- as I said before.</p> <p>16 Q. You understand there is a base generation</p> <p>17 rider, base generation service rider, correct?</p> <p>18 Whatever it's called.</p> <p>19 A. Yes.</p> <p>20 Q. Do you know how that was developed?</p> <p>21 A. Mr. Roush developed those riders.</p> <p>22 Q. Okay. That wasn't my question. Do you</p> <p>23 know how that was developed?</p> <p>24 A. No, because Mr. Roush developed the</p>	<p>1 different rate classes or different customer classes?</p> <p>2 A. I'm aware there are different charges for</p> <p>3 different classes.</p> <p>4 Q. And do you know how those different</p> <p>5 charges for different classes were arrived at or</p> <p>6 derived?</p> <p>7 A. No. Mr. Roush did all of those.</p> <p>8 Q. Are you aware that there is a statement</p> <p>9 that those different charges were based upon market</p> <p>10 relationships? Does that ring a bell?</p> <p>11 A. I can't say that that's exactly the</p> <p>12 statement I recall.</p> <p>13 Q. What do you recall?</p> <p>14 A. Reading something about that, you know,</p> <p>15 that Mr. Roush's rate design is based on market</p> <p>16 relationships. That's my recollection.</p> <p>17 Q. What does that mean to you?</p> <p>18 A. That he's trying to reflect market</p> <p>19 relationships of the prices as opposed to subsidies</p> <p>20 that may have existed in the past.</p> <p>21 Q. Okay. And what does it mean, though, to</p> <p>22 reflect market relationships?</p> <p>23 A. To provide pricing that reflects market</p> <p>24 relationships. I don't know how else to explain</p>

<p style="text-align: right;">Page 45</p> <p>1 that.</p> <p>2 Q. Would you agree with me that's kind of</p> <p>3 circular?</p> <p>4 A. I'm not sure how to explain that.</p> <p>5 Q. Okay. I guess that was what I wanted you</p> <p>6 to do was to explain it to me. Can you?</p> <p>7 A. Well, that's Mr. Roush's testimony.</p> <p>8 Q. So beyond that you couldn't offer --</p> <p>9 A. No.</p> <p>10 Q. Okay. Would it be fair to say that you</p> <p>11 couldn't say what the relationships are between the</p> <p>12 revenues that might be or are proposed to be</p> <p>13 generated by the base generation service rider and</p> <p>14 capacity costs? You don't know what those</p> <p>15 relationships are; fair to say?</p> <p>16 A. Are you talking about by customer class</p> <p>17 or in total?</p> <p>18 Q. Total.</p> <p>19 A. In total? I believe that the proposed</p> <p>20 ESP price, you know, is intended to cover our</p> <p>21 generation cost.</p> <p>22 Q. Okay. But my -- so is it fair to say</p> <p>23 that you believe that the revenues that would be</p> <p>24 generated from the base generation service rider are</p>	<p style="text-align: right;">Page 47</p> <p>1 AEP-Ohio's capacity, then it's up to them where they</p> <p>2 get the capacity from.</p> <p>3 Q. Right. And you understand that they can</p> <p>4 get the capacity from a process called FRR?</p> <p>5 A. Well, they either take it from AEP-Ohio</p> <p>6 or they bring it from someplace else.</p> <p>7 Q. And that someplace else is the process</p> <p>8 known as FRR?</p> <p>9 A. No.</p> <p>10 Q. Okay. Let's say they -- so if the CRES</p> <p>11 provider, to use your terminology, doesn't get it</p> <p>12 from someplace else, it gets it from AEP-Ohio,</p> <p>13 correct?</p> <p>14 A. Yes.</p> <p>15 Q. If the CRES provider is not getting it</p> <p>16 from someplace else, should the shopping customer pay</p> <p>17 for capacity at a cost or a price greater than a</p> <p>18 nonshopping customer for AEP-Ohio?</p> <p>19 MR. SATTERWHITE: Objection to form.</p> <p>20 It's the "should." I'm not sure what you mean by</p> <p>21 "should."</p> <p>22 MR. KUTIK: Frankly, it's not whether you</p> <p>23 understand the question so that's an improper</p> <p>24 objection.</p>
<p style="text-align: right;">Page 46</p> <p>1 greater than the company's capacity costs?</p> <p>2 A. Well, I think we would hope that they</p> <p>3 would be, but I don't know.</p> <p>4 Q. Okay. So your bottom line is you don't</p> <p>5 know what that relationship is.</p> <p>6 A. No. I've not done that analysis.</p> <p>7 Q. Is it your understanding that the base</p> <p>8 generation service rider revenues are intended to</p> <p>9 recover all generation related costs less fuel and</p> <p>10 environmental?</p> <p>11 A. I don't recall.</p> <p>12 Q. Do you believe that shopping customers</p> <p>13 should be required to pay more for capacity than</p> <p>14 nonshopping customers?</p> <p>15 A. I guess I would need a little more</p> <p>16 context for that question.</p> <p>17 Q. Okay. If -- well, I'll back up.</p> <p>18 If a CRES provider is not obtaining</p> <p>19 capacity through the FRR process, where does the</p> <p>20 capacity come from in the AEP-Ohio territory?</p> <p>21 A. Are you talking about for a shopping</p> <p>22 customer?</p> <p>23 Q. Yes.</p> <p>24 A. Well, if a CRES provider is not utilizing</p>	<p style="text-align: right;">Page 48</p> <p>1 MR. SATTERWHITE: Actually, it is</p> <p>2 improper, the form of the question, if it's not</p> <p>3 understood.</p> <p>4 MR. KUTIK: The fact that you don't</p> <p>5 understand it is not a proper objection, Counsel.</p> <p>6 Q. Can you answer my question?</p> <p>7 MR. SATTERWHITE: Objection to form.</p> <p>8 A. Can you repeat the question?</p> <p>9 Q. Sure. In the case where a CRES provider</p> <p>10 gets its capacity from AEP-Ohio should a shopping</p> <p>11 customer pay more than a nonshopping customer for</p> <p>12 capacity?</p> <p>13 A. A customer who is not shopping is going</p> <p>14 to pay the SSO rate, whatever is in the SSO rate, and</p> <p>15 a customer who shops from a CRES provider is going to</p> <p>16 pay whatever the CRES provider charges them.</p> <p>17 Q. That's not my question.</p> <p>18 MR. KUTIK: Please read my question.</p> <p>19 Q. And please answer it, ma'am.</p> <p>20 (Record read.)</p> <p>21 A. I can't answer your question because they</p> <p>22 are paying rates to two different entities and it</p> <p>23 depends on what each of those entities is charging</p> <p>24 them is what they're going to pay.</p>

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<p style="text-align: right;">Page 49</p> <p>1 Q. Okay. Assume that the CRES provider 2 charges for capacity what AEP charges the CRES 3 provider. Are you with me so far? 4 A. Okay. 5 Q. Should the shopping customer pay more for 6 capacity than a nonshopping customer? 7 MR. SATTERWHITE: Same objection. 8 A. I guess I don't know what they should pay 9 or not should pay. What I know is what they will pay 10 which is the nonshopping customer will pay the SSO 11 rate whatever capacity is contained within the SSO 12 rate. 13 Q. That's not my question. My question is 14 should that happen? Do you think that's right? 15 A. And my answer was I don't know what they 16 should pay. What they will pay is under the SSO 17 rate. 18 Q. Do you think as a matter of prudent 19 policy a shopping customer should pay more for 20 capacity in a situation we've talked about than a 21 nonshopping customer? 22 A. It's too open-ended a question. I can't 23 answer that. 24 Q. Why not?</p>	<p style="text-align: right;">Page 51</p> <p>1 Q. At a minimum. Should they pay more than 2 the cost of AEP's capacity for AEP's capacity? 3 A. Well, AEP's entitled to a reasonable 4 return on its capacity. 5 Q. Okay. Other than capacity and a 6 reasonable return, should they pay anything else? 7 A. For just the capacity component? 8 Q. Yes. 9 A. I think if they pay all of the costs 10 including an appropriate return. 11 Q. Okay. Should nonshopping customers pay 12 also at minimum the cost plus a return of capacity, 13 or should they pay less? 14 A. All users of AEP's capacity should at 15 least pay the cost plus a reasonable return. 16 Q. Now, on page 4 of your testimony -- 17 MR. SATTERWHITE: The direct? 18 Q. Yes, your direct testimony. And as we go 19 through this if I want to refer to your supplemental 20 testimony, I'll refer to it as "your supplemental 21 testimony," otherwise if it's just "the testimony," 22 it's your direct. Can we have that understanding? 23 A. Okay. 24 Q. You refer at lines 7 and 8 to industry</p>
<p style="text-align: right;">Page 50</p> <p>1 A. It's too open-ended a question. There's 2 too many variables. 3 Q. Well, what else would you need to know? 4 A. One is paying the SSO rate, the other is 5 paying what the CRES provider is charging them. 6 Q. Right. And I've told you that I want you 7 to assume that the CRES provider is getting its 8 capacity from AEP-Ohio and that the CRES provider is 9 charging the customer the same charge that it gets 10 from AEP. Are you with me? 11 A. Yes. 12 Q. Okay. Do you need anything else to 13 answer my question which is should, as a matter of 14 prudent policy, a shopping customer pay more for 15 capacity than a nonshopping customer? 16 MR. SATTERWHITE: Same objection. 17 A. Again, I don't understand the "should" 18 because it's what will they pay. 19 Q. I asked you as a matter of prudent 20 policy, can you answer that question? Let me put it 21 this way, do you have no opinion as to whether -- 22 what the prudent policy should be in that situation? 23 A. I believe that the -- that customers 24 should pay at a minimum the cost of AEP's capacity.</p>	<p style="text-align: right;">Page 52</p> <p>1 standards for pricing generation supply for a 2 competitive benchmark. Do you see that? 3 A. Uh-huh. 4 Q. Is that a "yes"? 5 A. Yes. 6 Q. What industry standards are there? 7 A. Well, looking at the, you know, the 8 components that are in the competitive benchmark, 9 what things are typically included in market prices, 10 what things, you know, are typically included in, you 11 know, might be included in a CRES provider's price or 12 might be included in an auction price for generation. 13 Q. So there wasn't a particular set of 14 standards or guidelines that you could go to. 15 A. No. As I discuss in my testimony, I talk 16 about the things that were reviewed. 17 Q. Okay. And what you reviewed was what 18 happened in five states, correct? Delaware, 19 Maryland, New Jersey, Pennsylvania, and Illinois. 20 A. Those were reviewed in addition to 21 looking at Ohio. 22 Q. Okay. So from looking at the competitive 23 bidding processes in the six states including Ohio 24 you developed what you thought would be, quote,</p>

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<p>1 industry standards as to what should be -- how</p> <p>2 pricing should be determined for a competitive</p> <p>3 bidding process.</p> <p>4 A. The same components are pretty much used</p> <p>5 in all of those, so hence the term "industry</p> <p>6 standard."</p> <p>7 Q. Since your testimony have you looked at</p> <p>8 the competitive bidding processes in any other state?</p> <p>9 A. No.</p> <p>10 Q. Would you say that the states that you</p> <p>11 looked at are states that might be referred to as</p> <p>12 either deregulated or restructured states in terms of</p> <p>13 power supply?</p> <p>14 A. Yes.</p> <p>15 Q. Is there one of those terms that you</p> <p>16 prefer over the other or are they synonymous as far</p> <p>17 as you're concerned?</p> <p>18 A. To my knowledge, you know, there may be</p> <p>19 some differences, but in general you have customer</p> <p>20 choice in all these areas.</p> <p>21 Q. Okay. So the term you would be</p> <p>22 comfortable with is a customer choice state.</p> <p>23 A. Yes.</p> <p>24 Q. Would it be fair to say that in customer</p>	<p>1 A. I believe Texas has customer choice.</p> <p>2 Q. Do you also believe that they have a</p> <p>3 different structure, Texas?</p> <p>4 A. Yes.</p> <p>5 Q. Any other state you're aware of in terms</p> <p>6 of customer choice?</p> <p>7 A. There may be, I don't know.</p> <p>8 Q. Did you attempt to find as many states as</p> <p>9 you could to determine customer choice?</p> <p>10 A. No.</p> <p>11 Q. Did you exclude any other states other</p> <p>12 than the ones you mentioned that you say have</p> <p>13 different structures?</p> <p>14 A. Not specifically, no.</p> <p>15 Q. Are you -- in your preparation for your</p> <p>16 testimony were you aware of the clearing prices in</p> <p>17 the FirstEnergy Ohio utilities auctions?</p> <p>18 A. I believe I looked at those at some</p> <p>19 point, but I don't recall when.</p> <p>20 Q. Did you look at them before completing</p> <p>21 your testimony?</p> <p>22 A. I don't recall when I looked at those.</p> <p>23 Q. So it could have been before or it could</p> <p>24 have been after.</p>
Page 54	Page 56
<p>1 choice states procuring POLR service is done most</p> <p>2 often through competitive bidding processes?</p> <p>3 A. There are states where it is done by</p> <p>4 competitive bidding processes and then Ohio is done</p> <p>5 in various ways.</p> <p>6 Q. But my question is, is it the majority of</p> <p>7 the case in the states that you looked at that POLR</p> <p>8 service is procured through a competitive bidding</p> <p>9 process?</p> <p>10 A. Yes, because typically those entities do</p> <p>11 not have generation.</p> <p>12 Q. Okay. Now, are you aware of whether</p> <p>13 there is customer choice available in, talking about</p> <p>14 retail power or wholesale power rather, or both</p> <p>15 actually, retail power I guess, in any other state</p> <p>16 other than the six you looked at?</p> <p>17 A. There is customer choice in other states,</p> <p>18 yes.</p> <p>19 Q. And is there a reason why you didn't look</p> <p>20 at those other states?</p> <p>21 A. The states of Virginia and Michigan have</p> <p>22 a very different structure.</p> <p>23 Q. Are you aware of whether there's customer</p> <p>24 choice in any other state other than those two?</p>	<p>1 A. I don't recall.</p> <p>2 Q. So it's a possibility that it could be</p> <p>3 after.</p> <p>4 A. Yes.</p> <p>5 Q. Okay.</p> <p>6 A. I don't recall.</p> <p>7 Q. Whatever those prices were in those --</p> <p>8 well, I'll back up.</p> <p>9 You are, as you're sitting here, aware at</p> <p>10 some point of looking at those, the prices that were</p> <p>11 obtained in those auctions, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And would it be fair to say that whatever</p> <p>14 those prices were they had no bearing on your</p> <p>15 testimony?</p> <p>16 A. That's right.</p> <p>17 Q. Okay. Would it be your view that the</p> <p>18 prices that cleared in the FirstEnergy auctions would</p> <p>19 not be a fair proxy for the prices that would obtain</p> <p>20 in a auction for AEP-Ohio?</p> <p>21 A. That's correct.</p> <p>22 Q. Have you done any study to determine what</p> <p>23 prices in FirstEnergy have been versus prices in</p> <p>24 AEP-Ohio?</p>

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<p>1 A. No. I have -- no.</p> <p>2 Q. So you have no -- you've done no</p> <p>3 comparison of any types of prices going into</p> <p>4 FirstEnergy versus any type of prices going into AEP,</p> <p>5 correct?</p> <p>6 A. No. I've looked at the potential what</p> <p>7 things would be different for FirstEnergy than AEP.</p> <p>8 Q. But you have not done a comparison of any</p> <p>9 type of prices, correct?</p> <p>10 A. Not a quantitative analysis, no.</p> <p>11 Q. Okay. You have made a review of the</p> <p>12 factors that you think would be different.</p> <p>13 A. Yes.</p> <p>14 Q. Would it be fair to say that one of the</p> <p>15 factors that would be different would be the point of</p> <p>16 delivery?</p> <p>17 A. Yes.</p> <p>18 Q. But you've done no quantitative analysis</p> <p>19 as to what that difference would be, correct?</p> <p>20 A. That's correct.</p> <p>21 Q. Another difference that you believe might</p> <p>22 exist are locational energy prices, correct?</p> <p>23 A. Yes.</p> <p>24 Q. And, again, you've done no analysis to</p>	<p>1 Q. Okay. So we could just sit here all day</p> <p>2 and you won't be able to tell me, right?</p> <p>3 A. Because I don't recall.</p> <p>4 Q. Right. But it's your belief that your</p> <p>5 delivery periods are different even though you don't</p> <p>6 know.</p> <p>7 A. I don't recall.</p> <p>8 Q. Well, can you tell me one way or the</p> <p>9 other? Are the delivery periods in any of the</p> <p>10 FirstEnergy -- well, are the delivery periods in any</p> <p>11 FirstEnergy auction the same as the delivery period</p> <p>12 for the proposed ESP here?</p> <p>13 A. I can't tell you if it's the same or if</p> <p>14 it's different because I don't recall.</p> <p>15 Q. So it would be fair to say that it may</p> <p>16 well be that the two periods are the same. And</p> <p>17 that's not a difference.</p> <p>18 A. I don't know.</p> <p>19 Q. Okay. Would it be fair to say that you</p> <p>20 believe that the renewable portfolio standard pricing</p> <p>21 would be different?</p> <p>22 A. Yes.</p> <p>23 Q. Can you tell me how they would be</p> <p>24 different?</p>
Page 58	Page 60
<p>1 determine what the quantitative difference would be.</p> <p>2 A. That's right.</p> <p>3 Q. You believe the capacity prices would be</p> <p>4 different.</p> <p>5 A. Yes.</p> <p>6 Q. And, again, you've done no analysis to</p> <p>7 determine how different they would be.</p> <p>8 A. That's right.</p> <p>9 Q. Now, you say that the delivery periods</p> <p>10 would be different. What were the delivery periods</p> <p>11 for the most recent FirstEnergy auction?</p> <p>12 A. I don't recall.</p> <p>13 Q. So it would be fair to say that you</p> <p>14 really don't know whether the delivery periods would</p> <p>15 be different.</p> <p>16 A. No. I said I don't recall.</p> <p>17 Q. All right. Well, sitting here today can</p> <p>18 you tell me how they're different?</p> <p>19 A. I don't recall what the period is.</p> <p>20 Q. Right. So you can't tell me how they're</p> <p>21 different sitting here today, correct?</p> <p>22 MR. SATTERWHITE: Objection. Go ahead.</p> <p>23 Q. Can you or can't you tell me?</p> <p>24 A. I can't tell you because I don't recall.</p>	<p>1 A. It's my understanding that FirstEnergy</p> <p>2 was taking care of all of the renewable energy</p> <p>3 requirements for its territory.</p> <p>4 Q. And so how would that be a difference?</p> <p>5 A. And the pricing that was used in the</p> <p>6 competitive benchmark assumed that the supplier would</p> <p>7 procure that themselves in the market.</p> <p>8 Q. Would it be fair to say that you haven't</p> <p>9 determined what the cost or price of the FirstEnergy</p> <p>10 renewable obligation is versus what it might be in</p> <p>11 AEP-Ohio?</p> <p>12 A. Not quantitatively.</p> <p>13 Q. Other than the method of procurement or</p> <p>14 who would procure them are you aware of any other</p> <p>15 difference?</p> <p>16 A. Not that I can recall.</p> <p>17 Q. Okay. Are you familiar with something</p> <p>18 called auction at revenue right pricing?</p> <p>19 A. It's congestion pricing.</p> <p>20 Q. And have you done any analysis of what</p> <p>21 that difference would be between FirstEnergy and AEP?</p> <p>22 A. Not quantitatively.</p> <p>23 Q. Would the same be true for line losses?</p> <p>24 A. Yes, although losses are treated</p>

<p style="text-align: right;">Page 61</p> <p>1 differently in FirstEnergy's auction.</p> <p>2 Q. How are they treated differently?</p> <p>3 A. The auction prices apply to loss adjusted</p> <p>4 kilowatt-hours.</p> <p>5 Q. And in AEP?</p> <p>6 A. The prices that we used applied to</p> <p>7 metered kilowatt-hours.</p> <p>8 Q. Have you reviewed the testimony of any of</p> <p>9 the intervenors' witnesses in this case?</p> <p>10 A. I've only skimmed them.</p> <p>11 Q. So you're not familiar with them.</p> <p>12 A. No, I'm not. Not in any detail.</p> <p>13 Q. Pardon?</p> <p>14 A. I have not read them in any detail.</p> <p>15 Q. Have you read some but not others?</p> <p>16 A. Pretty much just skimmed most of them.</p> <p>17 Q. Okay. Do you know whether any AEP entity</p> <p>18 has participated in any of the FirstEnergy auctions?</p> <p>19 A. I believe that our Commercial Operations</p> <p>20 group has participated in FirstEnergy auctions.</p> <p>21 Q. And do you know whether that group was</p> <p>22 successful?</p> <p>23 A. My recollection is they do serve a</p> <p>24 portion.</p>	<p style="text-align: right;">Page 63</p> <p>1 Q. Okay. Now, was Mr. Baker -- this is</p> <p>2 probably a very stupid question because everyone in</p> <p>3 this room and on the phone is going to know the</p> <p>4 answer to this question but me, so I apologize. Was</p> <p>5 Mr. Baker still with the company when you got your</p> <p>6 current job?</p> <p>7 A. No. He had retired.</p> <p>8 Q. Okay. Did you discuss Mr. Baker's</p> <p>9 testimony in the ESP I case with him at any time?</p> <p>10 A. No.</p> <p>11 Q. Do you know whether there were</p> <p>12 individuals who helped him prepare his testimony that</p> <p>13 you talked to about your testimony?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. Who was that?</p> <p>16 A. Scott Mertz.</p> <p>17 Q. Mr. Mertz assisted Mr. Baker?</p> <p>18 A. Yes.</p> <p>19 Q. And did Mr. Mertz provide you with some</p> <p>20 insight in terms of how Mr. Baker did things in his</p> <p>21 testimony or why Mr. Baker did things in his</p> <p>22 testimony?</p> <p>23 A. I believe he answered questions that I</p> <p>24 had after reviewing Mr. Baker's testimony and other</p>
<p style="text-align: right;">Page 62</p> <p>1 Q. Are you aware of the price at which they</p> <p>2 serve?</p> <p>3 A. No.</p> <p>4 Q. Okay. Was the price to which they agreed</p> <p>5 to serve the FirstEnergy or part of the FirstEnergy</p> <p>6 load irrelevant as far as you're concerned in terms</p> <p>7 your work in this case?</p> <p>8 A. I did not consider that --</p> <p>9 Q. Did you feel it was --</p> <p>10 A. -- in my testimony.</p> <p>11 Q. Did you feel it was irrelevant?</p> <p>12 MR. SATTERWHITE: Objection. Go ahead.</p> <p>13 A. I didn't feel it was important for my</p> <p>14 testimony.</p> <p>15 Q. So it was irrelevant.</p> <p>16 MR. SATTERWHITE: Same objection.</p> <p>17 A. Yeah, it wasn't important for my</p> <p>18 testimony.</p> <p>19 Q. Well, you say it wasn't important. Was</p> <p>20 it irrelevant?</p> <p>21 MR. SATTERWHITE: Same.</p> <p>22 Q. Is there a reason you can't say "yes" or</p> <p>23 "no" to that question?</p> <p>24 A. It wasn't relevant.</p>	<p style="text-align: right;">Page 64</p> <p>1 materials from the 2008 ESP.</p> <p>2 Q. Okay. Did you believe -- do you believe</p> <p>3 that the methodology that Mr. Baker came up with to</p> <p>4 compare the ESP and MRO prices was reasonable?</p> <p>5 A. I reviewed the MRO test and looked for</p> <p>6 what I thought was the appropriate way to do the MRO</p> <p>7 test.</p> <p>8 Q. That wasn't my answer to my question.</p> <p>9 MR. KUTIK: Could you read my question,</p> <p>10 please.</p> <p>11 (Record read.)</p> <p>12 A. I believe it was reasonable based on what</p> <p>13 people knew at the time.</p> <p>14 Q. Now, Mr. Baker used the PJM RPM capacity</p> <p>15 prices, correct?</p> <p>16 A. Yes.</p> <p>17 Q. And you did not.</p> <p>18 A. That's correct.</p> <p>19 Q. Why didn't you use that in this case?</p> <p>20 A. I used the prices that were consistent</p> <p>21 with other filings that the company had made as to</p> <p>22 the capacity price that should be charged to CRES</p> <p>23 providers.</p> <p>24 Q. So the reason you didn't use it was</p>

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<p style="text-align: right;">Page 65</p> <p>1 because the company had filed something in the 2 10-2929 case, correct? 3 A. Yes. 4 Q. So you didn't independently come to a 5 view that not using -- that using the PJM RPM 6 capacity prices would be unreasonable. Let me give 7 that to you again. 8 Did you come to an independent view that 9 it was appropriate not to use the PJM RPM prices? 10 A. I came to the conclusion that it was 11 appropriate to use the prices that were consistent 12 with what the company had filed in the 10-2929 case. 13 Q. What I'm trying to understand is did you 14 use it because that's what the company used, or did 15 you come up independently with your own view that the 16 PJM RPM price should be abandoned? 17 A. It was the view -- 18 MR. SATTERWHITE: Objection to the form, 19 abandoned, I guess. 20 Q. Go ahead. 21 A. It was my view in developing a component 22 that was capacity to CRES providers should be the 23 rate that the company was proposing that CRES 24 providers be charged for capacity.</p>	<p style="text-align: right;">Page 67</p> <p>1 Exelon in the deposition. He's just arrived. 2 MR. STAHL: Thank you, Howard. 3 MR. KUTIK: Since we're interrupted, are 4 there other folks on the phone who need to introduce 5 themselves to the court reporter? 6 MS. GRADY: Yes. This is Maureen Grady 7 from the Office of Consumers' Counsel. 8 MR. KUTIK: Anyone else? 9 MR. YURICK: Also on the phone is Mark 10 Yurick, but I identified myself. 11 MR. WESTON: My name is Bruce Weston with 12 OCC, I am on the phone, but I am not entering an 13 appearance. 14 MR. KUTIK: All right. 15 MR. THOMPSON: Also Mack Thompson from 16 OCC on the phone, but I'm not entering an appearance. 17 MR. KUTIK: Let's go off the record for a 18 minute. 19 (Recess taken.) 20 MR. KUTIK: Let's go back on the record. 21 Q. (By Mr. Kutik) Ms. Thomas, while you 22 worked in the Market Risk Analytics group are you 23 aware of whether anyone within that group used the 24 Black model?</p>
<p style="text-align: right;">Page 66</p> <p>1 Q. The reason you used that rate as opposed 2 to the PJM RPM was because the company was proposing 3 not to use it, correct? That is, the PJM RPM price. 4 A. Proposing to use, yeah. I made the 5 competitive benchmark consistent with the proposed 6 charge to CRES providers. 7 Q. Now, did you participate in the company's 8 decision to make that filing in the 10-2929 case? 9 A. No. 10 Q. So did that filing precede your 11 involvement in this case? 12 A. I don't recall the timing. The company 13 had filed its proposed rate at FERC prior to my 14 development of the competitive benchmark. 15 Q. So the company had basically stated its 16 position that it should charge for capacities at 17 something other than the PJM RPM price before your 18 involvement in this case, correct? 19 A. Yes. 20 Q. And you adopted that position. 21 A. Yes. 22 MR. PETRICOFF: Counsel, maybe if I could 23 just interrupt for a second, I want to introduce 24 David Stahl, he will be doing the questioning for</p>	<p style="text-align: right;">Page 68</p> <p>1 A. Are you referring to when that group 2 reported to me? 3 Q. Yes. 4 A. Is that the time you're referring to? 5 Q. Yes. 6 A. I can't recall anything specific. 7 Q. Okay. I asked you some questions earlier 8 about whether you had reached an opinion as to 9 whether the ESP is more favorable than the MRO. Do 10 you remember that? 11 A. Regarding Mr. Baker's test? 12 Q. No. Regarding your opinions generally in 13 this case. 14 A. Oh, yes. 15 Q. And you said that you did have an opinion 16 that the ESP was more favorable than the MRO, 17 correct? 18 A. More favorable in the aggregate than an 19 MRO. 20 Q. All right. And that opinion is based, as 21 I understand it, on your work plus Mr. Hamrock's 22 testimony; fair to say? 23 A. Yes. 24 Q. Did you talk with Mr. Hamrock about his</p>

<p style="text-align: right;">Page 69</p> <p>1 testimony?</p> <p>2 A. I belief we had discussions in general</p> <p>3 about his testimony.</p> <p>4 Q. Were you aware of what information</p> <p>5 Mr. Hamrock relied upon to come up with his opinion?</p> <p>6 A. I'm generally aware of the other, you</p> <p>7 know, things that he relies on for his determination</p> <p>8 in the aggregate.</p> <p>9 Q. One of the things he relies upon is your</p> <p>10 analysis, correct?</p> <p>11 A. That's one of the things, yes.</p> <p>12 Q. Okay. Are you aware of whether</p> <p>13 Mr. Hamrock relied on any other quantitative analysis</p> <p>14 to come up with his opinion?</p> <p>15 A. I'm not aware of any.</p> <p>16 Q. And would it be fair to say that other</p> <p>17 than what's reflected in your testimony you did no</p> <p>18 quantitative analysis to help Mr. Hamrock?</p> <p>19 A. No. That -- my testimony is the one --</p> <p>20 the quantitative analysis.</p> <p>21 Q. Do you know what the term "stranded cost"</p> <p>22 means?</p> <p>23 A. Generally.</p> <p>24 Q. What's your understanding?</p>	<p style="text-align: right;">Page 71</p> <p>1 Maria, could you please read the question.</p> <p>2 (Record read.)</p> <p>3 A. And I believe I answered that stranded</p> <p>4 cost was part of the previously, before this case,</p> <p>5 but it was also tied to other provisions and the law</p> <p>6 has changed.</p> <p>7 Q. So the law would allow, as far as you</p> <p>8 know, being a layperson --</p> <p>9 MR. SATTERWHITE: Thank you.</p> <p>10 Q. -- the recovery of stranded costs in this</p> <p>11 case if AEP so desired.</p> <p>12 A. Could you repeat that?</p> <p>13 Q. Let me restate it. Is it your</p> <p>14 understanding as a layperson that AEP could still</p> <p>15 recover stranded costs today or as part of a new ESP</p> <p>16 price?</p> <p>17 A. I don't know. I've not reviewed</p> <p>18 provisions related to stranded costs.</p> <p>19 Q. So as far as you know you don't know</p> <p>20 whether there is any prohibition on the recovery of</p> <p>21 stranded costs in an ESP.</p> <p>22 A. I don't know.</p> <p>23 Q. Do you know whether AEP was ever</p> <p>24 authorized to recover stranded costs?</p>
<p style="text-align: right;">Page 70</p> <p>1 A. I guess it depends on the context.</p> <p>2 Typically where customer choice has gone into place</p> <p>3 and utilities are able to take their generation to</p> <p>4 market, that it's part of a transition in terms of</p> <p>5 whether or not there are costs that are not</p> <p>6 recoverable in the market at the time you go to</p> <p>7 market.</p> <p>8 Q. Is AEP-Ohio attempting to recover</p> <p>9 stranded costs in this case?</p> <p>10 A. No.</p> <p>11 Q. Would it be fair to say that to the</p> <p>12 extent that AEP was entitled to recover stranded</p> <p>13 costs, it was to occur before this case?</p> <p>14 MR. SATTERWHITE: Objection. Go ahead.</p> <p>15 A. My understanding is that there were</p> <p>16 provisions in the law regarding stranded costs, but</p> <p>17 the law has changed in terms of being able to just</p> <p>18 take your generation to market and things like that.</p> <p>19 Q. But that's not the answer to my question.</p> <p>20 MR. KUTIK: Could you read my question,</p> <p>21 please.</p> <p>22 Let's go off the record for a minute.</p> <p>23 (Discussion off the record.)</p> <p>24 MR. KUTIK: Let's go back on the record.</p>	<p style="text-align: right;">Page 72</p> <p>1 A. I don't -- I don't recall. I don't know.</p> <p>2 Q. Okay. Do you know whether in this case</p> <p>3 AEP-Ohio is attempting to recover the net</p> <p>4 undepreciated book value of its generation plant in</p> <p>5 service?</p> <p>6 A. Could you repeat that?</p> <p>7 Q. Sure.</p> <p>8 MR. KUTIK: Maria.</p> <p>9 (Record read.)</p> <p>10 A. Are you referring to all generation?</p> <p>11 Q. Uh-huh. Yes.</p> <p>12 A. No, I don't believe that's what AEP is</p> <p>13 asking.</p> <p>14 Q. Okay. Is it attempting to recover any of</p> <p>15 the undepreciated net book -- the net undepreciated</p> <p>16 book value of any plant?</p> <p>17 A. The only potential undepreciated net book</p> <p>18 value that I'm aware of is potentially under the</p> <p>19 facility cost recovery rider in the event that plants</p> <p>20 are retired.</p> <p>21 Q. Are you familiar with a case called the</p> <p>22 ETP case?</p> <p>23 A. No.</p> <p>24 Q. Now, as part of your work in this case</p>

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<p>1 you referred to what might be called energy forward 2 or energy forwards. 3 A. Are you talking about forward energy 4 prices? 5 Q. Yes. 6 A. Yes. 7 Q. Okay. And you used that to come up with 8 your competitive benchmark price? 9 A. That is a component of the competitive 10 benchmark. 11 Q. And you used the prices -- those prices 12 from the first five trading days of the four quarters 13 of 2010, correct? 14 A. Yes. 15 Q. Did you review Mr. Baker's methodology in 16 terms of how he used energy forwards? 17 A. Yes. 18 Q. What did he do? 19 A. My recollection is that he used similar 20 days but from I believe only three quarters because 21 of the timing of when they filed the case. 22 Q. Okay. So the first quarter 2010 prices 23 that you used, they average about \$48 or a little 24 more than that?</p>	<p>1 A. Mathematically you would come up with a 2 lower number if you had used the last three quarters 3 assuming that those numbers are correct. 4 Q. Okay. Now, when did you file your 5 testimony? 6 A. January of 2011. 7 Q. When in January of 2011; do you remember? 8 A. On the 27th. 9 Q. Did you have available to you the prices 10 for the first five trading days of the first quarter 11 of 2011? 12 A. The data was available, but not in time 13 to incorporate that information into the filing. 14 Q. What does that mean? 15 A. It takes time to prepare all of the data, 16 all of the numbers in the filing. 17 Q. Okay. Do you know what those numbers are 18 if you had used those numbers? That is from the 19 first five trading days of 2011, what those numbers 20 would be. 21 A. No, I don't. 22 Q. Do you have any idea whether it would be 23 more or less than \$48? 24 A. I don't know.</p>
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<p>1 A. I don't recall the number specifically. 2 Q. Will you accept that subject to check? 3 A. I don't have the details of what it was 4 for each of the quarters. I only know what it was in 5 total. 6 Q. I'm asking whether you would accept it 7 subject to check. In other words, you trust me to 8 give you the right number? 9 A. I can't say whether it's right or not. I 10 don't recall the details. 11 Q. But would you accept it subject to check? 12 In other words, if you find out you're wrong, you can 13 make the correction in your transcript. 14 A. Yes. 15 Q. Okay. And would it be fair to say that 16 the numbers as prices for the second, third, and 17 fourth quarters were between 40 and 43 dollars? 18 A. Again, I don't know. 19 Q. Would you accept that subject to check? 20 A. Yes. 21 Q. Okay. So if we accept those numbers, 22 would it be fair to say that if you used Mr. Baker's 23 methodology and only used three quarters, you would 24 have come up with a lower benchmark number?</p>	<p>1 Q. Have you looked at energy forward pricing 2 in 2011? 3 A. I've not specifically looked at forward 4 prices. 5 Q. So you don't know whether they have been 6 more or less than \$48. 7 A. No. 8 Q. Or \$45. 9 A. I've not looked at them. 10 Q. Okay. Now, if there was to be a 11 competitive bidding process after the ESP is 12 currently in effect, when would that competitive 13 bidding process take place? 14 A. I don't know. 15 Q. Well, would it be fair to say it would 16 take place either later this year or early next year? 17 A. If it were to be in place for delivery 18 for service for customers in 2012, it would have to 19 take place this year. 20 Q. So either later this year or early next 21 year, correct? 22 A. Well, you wouldn't do it next year if 23 it's for delivery starting in January of 2012. 24 Q. So at least it would be sometime later</p>

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<p>1 this year, correct?</p> <p>2 A. It would have to be, yes.</p> <p>3 Q. And would it be correct to say that</p> <p>4 certainly folks that were preparing bids for such a</p> <p>5 process would have data from 2011 in terms of energy</p> <p>6 forward prices?</p> <p>7 A. They would have all previous -- they</p> <p>8 would have previous data, yes.</p> <p>9 Q. Including the data from 2011, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And do you know whether they would</p> <p>12 consider 2010 data to be stale?</p> <p>13 A. I think they would look at forward prices</p> <p>14 for '12, '13, and '14 and they would take into</p> <p>15 account all information that they had at the time</p> <p>16 that they did it.</p> <p>17 Q. And you're saying this never having</p> <p>18 participated in the process, correct?</p> <p>19 A. I have not personally participated in the</p> <p>20 process, but I have some general knowledge.</p> <p>21 Q. Well, you said earlier you've never</p> <p>22 participated in the process, correct?</p> <p>23 A. That's right.</p> <p>24 Q. Part of your competitive bidding -- your</p>	<p>1 A. In a competitive bid auction, yes.</p> <p>2 MR. KUTIK: Let's go off the record.</p> <p>3 (Discussion off the record.)</p> <p>4 MR. KUTIK: Let's go back on the record.</p> <p>5 Let's mark as Thomas Deposition Exhibit 1 a document</p> <p>6 identified as a response to IEU-Ohio's interrogatory</p> <p>7 091.</p> <p>8 (EXHIBIT MARKED FOR IDENTIFICATION.)</p> <p>9 Q. Something -- well, I'll back up.</p> <p>10 MR. SATTERWHITE: Just so it's complete,</p> <p>11 there's three attachments referenced and only one is</p> <p>12 provided here, right?</p> <p>13 MR. KUTIK: Right.</p> <p>14 MR. SATTERWHITE: Attachment 1.</p> <p>15 MR. KUTIK: Right.</p> <p>16 Q. Ms. Thomas, do you recognize that?</p> <p>17 A. Yes, I do.</p> <p>18 Q. And what is it?</p> <p>19 A. It is an attachment to IEU -- or, it's</p> <p>20 IEU data request response, one of the attachments,</p> <p>21 the attachment dealing with the retail administrative</p> <p>22 fee.</p> <p>23 Q. And that retail administrative fee is</p> <p>24 also a part of the competitive benchmark price that</p>
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<p>1 competitive benchmark price is something called the</p> <p>2 transition -- transaction risk adder, correct?</p> <p>3 A. Yes, that's a component.</p> <p>4 Q. And the transaction risk adder, that</p> <p>5 would be perhaps what one might call a premium?</p> <p>6 A. I've heard it referred to as that.</p> <p>7 Q. And it is designed to cover the costs of</p> <p>8 various bidder risks?</p> <p>9 A. Yes.</p> <p>10 Q. And of those risks it would include</p> <p>11 migration risk?</p> <p>12 A. It could.</p> <p>13 Q. Okay. That is the risk that folks who</p> <p>14 had not shopped could shop, correct?</p> <p>15 A. Customers could leave and they could</p> <p>16 return.</p> <p>17 Q. And so there's a migration risk and</p> <p>18 there's a return risk, correct?</p> <p>19 A. Yes.</p> <p>20 Q. All right.</p> <p>21 A. But it's all migration risk, both</p> <p>22 directions.</p> <p>23 Q. And so the transaction risk adder would</p> <p>24 include that migration risk, among other things?</p>	<p>1 you developed, correct?</p> <p>2 A. Yes.</p> <p>3 Q. And what you're attempting to do in this</p> <p>4 attachment -- well, I'll back up.</p> <p>5 Did you write this, this attachment?</p> <p>6 A. It was prepared at my direction.</p> <p>7 Q. So you reviewed it --</p> <p>8 A. Yes.</p> <p>9 Q. -- and as far as you can tell it's</p> <p>10 correct.</p> <p>11 A. To the best of my knowledge, yes.</p> <p>12 MR. KUTIK: Let's go off the record for a</p> <p>13 second.</p> <p>14 (Discussion off the record.)</p> <p>15 MR. KUTIK: Let's go back on the record.</p> <p>16 Q. You asked someone to compile this</p> <p>17 information?</p> <p>18 A. Yes.</p> <p>19 Q. What direction -- well, first, who was</p> <p>20 that person?</p> <p>21 A. Scott Mertz.</p> <p>22 Q. Scott Mertz?</p> <p>23 A. Uh-huh.</p> <p>24 Q. And what information did you ask</p>

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<p>1 Mr. Mertz for?</p> <p>2 A. Basically a review of information that we</p> <p>3 could find regarding retail administrative fees.</p> <p>4 Q. Did you look at any of the source</p> <p>5 material that Mr. Mertz relied upon?</p> <p>6 A. I belief I did at some point in time. I</p> <p>7 don't recall when.</p> <p>8 Q. Okay. Is it correct to say that the</p> <p>9 information that is in this exhibit is the</p> <p>10 information you relied upon to come up with your</p> <p>11 calculated value of retail administration fee for</p> <p>12 your competitive benchmark price?</p> <p>13 A. Yes.</p> <p>14 Q. Now, what did you conclude would be the</p> <p>15 appropriate retail administration fee for a</p> <p>16 competitive benchmark price?</p> <p>17 A. I came up with a \$5 per megawatt-hour</p> <p>18 adder.</p> <p>19 Q. And how did you come up with \$5?</p> <p>20 A. \$5 is subjective. Basically reviewing</p> <p>21 other administrative charges, the information that we</p> <p>22 could find in terms of, you know, what was in that</p> <p>23 and determine that we would include a \$5 adder.</p> <p>24 Q. So you basically looked at the numbers</p>	<p>1 A. No. We just -- just determined a dollar</p> <p>2 value.</p> <p>3 Q. Now, as Mr. Satterwhite mentioned, there</p> <p>4 are a number of other attachments or at least two</p> <p>5 other attachments to interrogatory 91, correct?</p> <p>6 A. Yes.</p> <p>7 Q. And one of those attachments deals with</p> <p>8 the transaction risk adder, correct?</p> <p>9 A. Yes.</p> <p>10 Q. And you had a similar display of</p> <p>11 information that you used.</p> <p>12 A. That's my recollection, yes.</p> <p>13 Q. And would it also be correct, to the best</p> <p>14 of your recollection, that the information that --</p> <p>15 that all the information that you relied upon to come</p> <p>16 up with the transaction risk adder in your</p> <p>17 competitive benchmark price would be displayed on</p> <p>18 that attachment?</p> <p>19 A. I believe so, but I'd have to review it</p> <p>20 to be sure that --</p> <p>21 Q. Fair enough.</p> <p>22 Now, would it be correct to say that in</p> <p>23 coming up with your transaction risk adder you first</p> <p>24 determined an appropriate percentage and then</p>
Page 82	Page 84
<p>1 that appear on the attachment to IEU 91 and said</p> <p>2 \$5 looks like a good number.</p> <p>3 A. This was information that was utilized,</p> <p>4 yeah, to make the subjective determination of \$5.</p> <p>5 Q. So when you say "subjective," you used</p> <p>6 some judgment in coming up with that number.</p> <p>7 A. Yes.</p> <p>8 Q. There's no way to calculate that number,</p> <p>9 it's a number you picked, correct?</p> <p>10 A. That's right.</p> <p>11 Q. With respect to the Duke-Ohio number that</p> <p>12 appears here, that's a number that's given as a</p> <p>13 percentage. Do you see that?</p> <p>14 A. Yes.</p> <p>15 Q. Did you convert that to a dollar price?</p> <p>16 A. I believe I looked at that at some point,</p> <p>17 yes.</p> <p>18 Q. Do you know what that would convert to</p> <p>19 be?</p> <p>20 A. Not off the top of my head, no.</p> <p>21 Q. Do you know -- did you think about</p> <p>22 whether you might want to derive a retail</p> <p>23 administration fee based upon a percentage as opposed</p> <p>24 to a dollar value?</p>	<p>1 converted that to a dollar value?</p> <p>2 A. That's correct.</p> <p>3 Q. And the value you came up with was</p> <p>4 5 percent, correct?</p> <p>5 A. Yes.</p> <p>6 Q. Would it be fair to say that the</p> <p>7 5 percent number was also a number that you just</p> <p>8 picked, using judgment, based upon the information</p> <p>9 you had as opposed to a number that you calculated?</p> <p>10 A. That's correct.</p> <p>11 Q. And can you tell us why that you -- why</p> <p>12 did you determine that you could figure out a</p> <p>13 transaction risk adder by first coming up with a</p> <p>14 percentage as opposed to just going to a direct</p> <p>15 dollar value?</p> <p>16 A. Are you asking why the transaction risk</p> <p>17 adder is a percentage?</p> <p>18 Q. In your -- as I think you testified, you</p> <p>19 first determined what an appropriate percentage would</p> <p>20 be that would represent the transaction risk adder,</p> <p>21 right?</p> <p>22 A. Yes.</p> <p>23 Q. Now, you didn't do that for the retail</p> <p>24 administration fee, correct?</p>

<p style="text-align: right;">Page 85</p> <p>1 A. Correct.</p> <p>2 Q. And my question to you is why did you do</p> <p>3 that? Why did you come up with a percentage and then</p> <p>4 convert it to a dollar value as opposed to just</p> <p>5 coming in with a dollar value?</p> <p>6 A. Because I believe that the risk adder is</p> <p>7 more a function of all of the other components and</p> <p>8 what's being committed to, whereas the retail</p> <p>9 administration is more of a fixed charge.</p> <p>10 Q. Okay. So that the risk adder may vary</p> <p>11 with the extent of the total price.</p> <p>12 A. Yes. And --</p> <p>13 Q. And that view is based on what?</p> <p>14 A. The, you know, thinking about what would</p> <p>15 be in that transaction risk adder and also general</p> <p>16 discussions with our Structuring folks as to how they</p> <p>17 would typically look at transaction risk adders.</p> <p>18 Q. Okay. With your who folks?</p> <p>19 A. The Structuring group.</p> <p>20 Q. Now, what's the Structuring group?</p> <p>21 A. The Structuring group is a group within</p> <p>22 Commercial Operations that looks at various deals.</p> <p>23 Q. What does that mean? What does that</p> <p>24 mean?</p>	<p style="text-align: right;">Page 87</p> <p>1 A. Yes.</p> <p>2 Q. So many of which you can't recall all of</p> <p>3 them sitting here today, correct?</p> <p>4 A. I've not reviewed all of them recently.</p> <p>5 Q. Now, would it be fair to say that many of</p> <p>6 those riders the company believes are authorized</p> <p>7 under Ohio Revised Code section 4928.143(B)(2)(b) and</p> <p>8 (c)?</p> <p>9 MR. SATTERWHITE: Objection. Asking for</p> <p>10 a legal basis.</p> <p>11 Q. Your understanding.</p> <p>12 A. I can't speak to what provisions go with</p> <p>13 each of the riders, that's a legal determination.</p> <p>14 Q. Sure. You're aware that there's a</p> <p>15 separate section of the Ohio Revised Code that deals</p> <p>16 with ESPs, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And there's another section of the Ohio</p> <p>19 Revised Code that deals with MROs, correct?</p> <p>20 A. Yeah. There's a number of sections that</p> <p>21 deal with both, yeah.</p> <p>22 Q. Okay. Well, there's section 142 that</p> <p>23 deals with MROs, correct? That's 4928.142.</p> <p>24 A. I think that's correct. I don't recall</p>
<p style="text-align: right;">Page 86</p> <p>1 A. That they look at pricing and they look</p> <p>2 at the structure of various deals that our Commercial</p> <p>3 Operations group makes.</p> <p>4 Q. And when you say they look at the</p> <p>5 structure of deals, what does that mean?</p> <p>6 A. The components, how something might be</p> <p>7 structured in terms of the different charges in</p> <p>8 there, you know, that are being charged as part of</p> <p>9 the deal.</p> <p>10 Q. Are there folks in the Structuring</p> <p>11 department that assess risk?</p> <p>12 A. I guess you could consider part of what</p> <p>13 they do, you know, ensuring that they account for</p> <p>14 risk in a deal.</p> <p>15 Q. Do they have experience and expertise in</p> <p>16 costing risk, in other words, placing a cost value on</p> <p>17 risk?</p> <p>18 A. I think so.</p> <p>19 Q. Do you know whether any of those</p> <p>20 individuals have ever used the Black model to cost,</p> <p>21 coming up with a cost value of any risk?</p> <p>22 A. I don't know.</p> <p>23 Q. Now, you're aware that AEP is proposing a</p> <p>24 series of riders in this case, correct?</p>	<p style="text-align: right;">Page 88</p> <p>1 the numbers.</p> <p>2 Q. And there's another section, 4928.143,</p> <p>3 that deals with ESPs, correct?</p> <p>4 A. Yes, but I believe there's other sections</p> <p>5 that also relate to both ESPs and MROs as well.</p> <p>6 Q. All right. With respect to riders that</p> <p>7 are allowed in ESPs, are all the riders that are</p> <p>8 allowed in ESPs also allowed to be in MROs as far as</p> <p>9 you know?</p> <p>10 A. I believe that's a legal determination.</p> <p>11 Q. As far as you know.</p> <p>12 A. I can't answer that.</p> <p>13 Q. You don't know.</p> <p>14 A. That's a pretty broad statement so --</p> <p>15 Q. It's not a broad statement, ma'am.</p> <p>16 A. Well, you basically said any rider could</p> <p>17 be in anything?</p> <p>18 Q. Right. In other words --</p> <p>19 A. And I can't answer that.</p> <p>20 Q. Well, are you aware of whether there are</p> <p>21 limitations as to what riders there should be in an</p> <p>22 MRO as opposed to an ESP?</p> <p>23 A. Yeah. That's a legal determination I</p> <p>24 can't speak to.</p>

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<p>1 Q. I asked you if you're aware.</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. So, for example, some of the</p> <p>4 riders in this case that have been proposed, you</p> <p>5 don't know whether they would be appropriately or</p> <p>6 they would be authorized to appear in an MRO,</p> <p>7 correct?</p> <p>8 A. I believe that the riders that we</p> <p>9 proposed in this case would, while they may or may</p> <p>10 not be there in a hundred percent MRO, they would be</p> <p>11 there in -- during the period of the company's</p> <p>12 proposal which the comparison is to a 10 percent MRO,</p> <p>13 20 percent MRO.</p> <p>14 Q. Fair enough.</p> <p>15 Now, there are certain new riders that</p> <p>16 the company has proposed, correct?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. One of those riders is rider AER?</p> <p>19 A. I believe yes.</p> <p>20 Q. Do you know whether rider AER would be</p> <p>21 allowed in an MRO?</p> <p>22 A. I believe it depends on who is taking</p> <p>23 responsibility for the renewable requirement.</p> <p>24 Q. Okay. And how does AEP propose that that</p>	<p>1 go through each one.</p> <p>2 MR. KUTIK: We'll stipulate --</p> <p>3 MR. SATTERWHITE: Gotcha.</p> <p>4 MR. KUTIK: -- that Ms. Thomas is not an</p> <p>5 attorney and she's giving her understanding of</p> <p>6 whatever position she has in the company.</p> <p>7 MR. SATTERWHITE: Gotcha. I don't have</p> <p>8 to do it every time.</p> <p>9 MR. KUTIK: Fair enough.</p> <p>10 A. The answer would be the same as the AER.</p> <p>11 Q. Now, certainly that would be part of the</p> <p>12 legacy, so-called, ESP portion of the MRO calculation</p> <p>13 but not the competitive bid portion of the MRO,</p> <p>14 correct?</p> <p>15 A. In terms of the weighting of the prices,</p> <p>16 you could have a -- you could have a rider such as</p> <p>17 that that would continue through the company's</p> <p>18 proposed ESP period.</p> <p>19 Q. Okay.</p> <p>20 A. You could have that rider continue.</p> <p>21 Q. We're a little off track. I'm trying to</p> <p>22 ask you whether certain riders would be allowed as</p> <p>23 part of an MRO, and what you've told me so far is</p> <p>24 that with respect to the two riders we've talked</p>
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<p>1 requirement be taken care of in the ESP?</p> <p>2 A. Well, under an ESP the company has the</p> <p>3 requirement to meet the renewable requirements.</p> <p>4 Q. Right. And if the MRO had the renewable</p> <p>5 requirement being set out for bid -- are you with me</p> <p>6 so far?</p> <p>7 A. Uh-huh.</p> <p>8 Q. -- would a rider like rider AER be</p> <p>9 allowed in an MRO?</p> <p>10 A. In the period for which the company's</p> <p>11 proposing, yes, because it's only a 10 percent MRO</p> <p>12 and 90 percent ESP.</p> <p>13 Q. Okay. With respect to the -- another new</p> <p>14 rider has to deal with the pool termination/</p> <p>15 modification.</p> <p>16 A. Yes.</p> <p>17 Q. Would that rider be allowed in an MRO?</p> <p>18 MR. SATTERWHITE: Just so I don't have to</p> <p>19 keep, I'll just clarify something, I'm assuming</p> <p>20 you're asking all of these as a lay --</p> <p>21 MR. KUTIK: Yes.</p> <p>22 MR. SATTERWHITE: -- not legal term --</p> <p>23 MR. KUTIK: Yes.</p> <p>24 MR. SATTERWHITE: -- so I don't have to</p>	<p>1 about, rider AER and the pool termination/</p> <p>2 modification, that they could be allowed as part of</p> <p>3 the ESP portion of the calculation of the MRO,</p> <p>4 correct?</p> <p>5 A. No, that's not what I said.</p> <p>6 Q. You think that they would just be allowed</p> <p>7 to be riders. In other words, you'd have your ESP</p> <p>8 and MRO blend and then you'd have a rider.</p> <p>9 A. Yes.</p> <p>10 Q. Okay.</p> <p>11 A. You could have that.</p> <p>12 Q. Okay. And you feel that would be the</p> <p>13 same way for all of the riders that you're proposing,</p> <p>14 the new riders that you're proposing in this case,</p> <p>15 correct?</p> <p>16 A. Yes.</p> <p>17 Q. Now, on page 23 of your testimony you</p> <p>18 refer to the rider FCCR, correct?</p> <p>19 A. Yes.</p> <p>20 Q. And you talk about the potential closure</p> <p>21 of certain plants, and I'm specifically now referring</p> <p>22 you to lines 7 through 11. Are you there?</p> <p>23 A. Yes.</p> <p>24 Q. And you do talk about the potential</p>

<p style="text-align: right;">Page 93</p> <p>1 closure.</p> <p>2 A. That's correct.</p> <p>3 Q. And you used the word "may" twice.</p> <p>4 Correct?</p> <p>5 A. Yes.</p> <p>6 Q. And you used the word "potential,"</p> <p>7 correct?</p> <p>8 A. Yes.</p> <p>9 Q. Well, isn't it true that it isn't a</p> <p>10 question in terms of the ESP period of may, whether</p> <p>11 facilities may be closed, there will be facilities</p> <p>12 closed during that period of time? Isn't that true?</p> <p>13 MR. SATTERWHITE: Objection. Go ahead.</p> <p>14 A. I guess nothing's a given until it</p> <p>15 happens.</p> <p>16 Q. But isn't it true that the company's</p> <p>17 current plans call for closures during the ESP</p> <p>18 period?</p> <p>19 A. Yes, there is I believe one facility that</p> <p>20 under current plans is scheduled to retire during the</p> <p>21 ESP period.</p> <p>22 Q. Well, isn't it true that there actually</p> <p>23 are at least two?</p> <p>24 A. I'd have to go back and review. I don't</p>	<p style="text-align: right;">Page 95</p> <p>1 into play in the ESP period.</p> <p>2 Q. Sure. And would it be fair to say that</p> <p>3 to the extent that there are -- that these</p> <p>4 regulations that are proposed actually are</p> <p>5 promulgated, there will be more -- there is a</p> <p>6 potential for more closures?</p> <p>7 A. There is a potential, yes.</p> <p>8 Q. All right. So that we might look at the</p> <p>9 long-term forecast report as a minimum in terms of</p> <p>10 what might be closed.</p> <p>11 MR. SATTERWHITE: Objection.</p> <p>12 Q. To the best of your knowledge.</p> <p>13 A. I don't know I can characterize it as a</p> <p>14 minimum, but the best view that the company had at</p> <p>15 the time based on what it knew.</p> <p>16 Q. Right. But if there are proposed --</p> <p>17 well, do you know whether the long-term forecast</p> <p>18 report assumes that the regulations that are</p> <p>19 currently proposed will be promulgated and become law</p> <p>20 during the proposed -- any part of the proposed ESP</p> <p>21 period?</p> <p>22 A. I don't recall specifically which</p> <p>23 proposed rules are incorporated in that forecast or</p> <p>24 not.</p>
<p style="text-align: right;">Page 94</p> <p>1 recall. Only one comes to mind.</p> <p>2 Q. Okay. Did you have any role to play in</p> <p>3 AEP-Ohio's -- either one of the companies --</p> <p>4 long-term forecast report?</p> <p>5 A. No.</p> <p>6 Q. Have you reviewed it?</p> <p>7 A. I've looked at it, yes.</p> <p>8 Q. Okay. And would it be correct to say</p> <p>9 that what appears in the company's long-term forecast</p> <p>10 report is the company's best estimate of what its</p> <p>11 plans are?</p> <p>12 A. It's the best estimate based on what the</p> <p>13 company knew at the time that the report was</p> <p>14 prepared.</p> <p>15 Q. So if we're talking about a report that</p> <p>16 was prepared April of this year, that's fairly recent</p> <p>17 information, correct?</p> <p>18 A. Yes.</p> <p>19 Q. Okay. And that would also be a fair</p> <p>20 source for us to look at to determine what the</p> <p>21 company's plans are in terms of closures, correct?</p> <p>22 A. Yes, with the caveat that, you know,</p> <p>23 there are lots of new environmental requirements that</p> <p>24 are, you know, being proposed right now that may come</p>	<p style="text-align: right;">Page 96</p> <p>1 Q. So there may or may not be, you don't</p> <p>2 know.</p> <p>3 A. I don't know.</p> <p>4 Q. Well, is it true that AEP has a plan for</p> <p>5 what it might do if the currently proposed EPA rules</p> <p>6 are promulgated and put into effect?</p> <p>7 A. I believe there are a number of different</p> <p>8 potential scenarios, but until we know for sure I</p> <p>9 don't know that I can say it's a definite plan.</p> <p>10 Q. Okay. Well, the company has a plan in</p> <p>11 terms of what it knows now, correct?</p> <p>12 A. It has what's in the long-term forecast</p> <p>13 based on what it knew at the time that that was</p> <p>14 prepared.</p> <p>15 Q. Are you aware of whether the company has</p> <p>16 announced anything in terms of what it might do if</p> <p>17 the current proposed AEP -- EPA rules come into</p> <p>18 effect?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. They have made those</p> <p>21 announcements, correct?</p> <p>22 A. They have made announcements, but, again,</p> <p>23 it's all subject to what those rules turn out to be</p> <p>24 whether or not those things will actually -- what</p>

<p style="text-align: right;">Page 97</p> <p>1 will actually happen or not.</p> <p>2 Q. And the announcements that were made were</p> <p>3 the company's best view as to what it would do if</p> <p>4 those rules came into effect, correct?</p> <p>5 A. If those rules did not have any</p> <p>6 modification and were based on what was known at the</p> <p>7 time.</p> <p>8 Q. Correct. The current proposal. Or the</p> <p>9 proposal at the time of the announcement.</p> <p>10 A. Yes.</p> <p>11 Q. Okay. The company wasn't trying to be</p> <p>12 misleading or inaccurate in any way in those</p> <p>13 announcements, correct?</p> <p>14 A. No.</p> <p>15 MR. SATTERWHITE: Objection.</p> <p>16 Q. Do you know whether AEP-Ohio has been</p> <p>17 able to recover its facility closure costs in its</p> <p>18 depreciation expense?</p> <p>19 A. I believe there's the potential for</p> <p>20 closure costs that are new that were not contemplated</p> <p>21 at the time that those rates were set.</p> <p>22 Q. That's not my question.</p> <p>23 MR. KUTIK: Could you read my question,</p> <p>24 please.</p>	<p style="text-align: right;">Page 99</p> <p>1 to your testimony. Do you need to refer to your</p> <p>2 testimony to answer that question?</p> <p>3 THE WITNESS: Could you repeat the</p> <p>4 question.</p> <p>5 (Record read.)</p> <p>6 A. Customers have benefited from the use of</p> <p>7 those facilities and this is just an additional cost</p> <p>8 that's related to those facilities.</p> <p>9 Q. Okay. Have shopping customers benefited</p> <p>10 from those facilities?</p> <p>11 A. Yes.</p> <p>12 Q. Because those facilities were providing</p> <p>13 service to them before they were shopping?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. Before there was a deregulation</p> <p>16 statute?</p> <p>17 A. And after.</p> <p>18 Q. Before they were allowed to shop.</p> <p>19 A. And before they did shop.</p> <p>20 Q. Are AEP's risks with respect to how they</p> <p>21 have to deal with potential regulations and the</p> <p>22 market generally different than any other CRES</p> <p>23 provider?</p> <p>24 A. Absolutely.</p>
<p style="text-align: right;">Page 98</p> <p>1 (Record read.)</p> <p>2 A. I don't know whether all closure costs</p> <p>3 are covered under that because there are new</p> <p>4 potential requirements that were not contemplated at</p> <p>5 the time those rates were set.</p> <p>6 Q. Okay. So is it your view that some of</p> <p>7 the company's facility closure costs have been able</p> <p>8 to be recovered through depreciation expense?</p> <p>9 A. I can't tell you. I don't know.</p> <p>10 Q. Do you know whether salvage cost is</p> <p>11 considered as part of the formula for depreciation?</p> <p>12 A. I don't recall.</p> <p>13 Q. That's something you don't have any</p> <p>14 experience with?</p> <p>15 A. Not specifically. The salvage cost would</p> <p>16 be an offset.</p> <p>17 Q. So is it your view that salvage cost is</p> <p>18 considered as part of the formula for depreciation?</p> <p>19 A. I don't recall.</p> <p>20 Q. Now, the company proposes that, and by</p> <p>21 "the company" I mean AEP-Ohio, proposes that the</p> <p>22 rider FCCR be nonbypassable, correct?</p> <p>23 A. Yes.</p> <p>24 Q. Why is that? And I see you're referring</p>	<p style="text-align: right;">Page 100</p> <p>1 Q. How are they different?</p> <p>2 A. The company has the obligation to provide</p> <p>3 service to all of those customers who do not choose</p> <p>4 another supplier and those customers who return to</p> <p>5 standard offer service. A CRES provider can choose</p> <p>6 which customers it serves and at what prices and</p> <p>7 terms and conditions.</p> <p>8 MR. KUTIK: May I have the question read,</p> <p>9 please.</p> <p>10 (Record read.)</p> <p>11 MR. KUTIK: And before that what was the</p> <p>12 question?</p> <p>13 (Record read.)</p> <p>14 MR. SATTERWHITE: And to clarify, you</p> <p>15 meant CRES provider, not other as in the companies</p> <p>16 are a CRES provider, correct?</p> <p>17 MR. KUTIK: Correct.</p> <p>18 Q. Do you know whether CRES providers are</p> <p>19 able to have any guarantee of recovering their</p> <p>20 closure costs?</p> <p>21 A. A CRES provider can choose how they price</p> <p>22 their services.</p> <p>23 Q. So they have no guarantee of being able</p> <p>24 to recover their cost for closure, correct?</p>

<p style="text-align: right;">Page 101</p> <p>1 A. I think that depends on what transactions 2 they enter into and how they choose to price their 3 service. 4 Q. Well, are you aware in your study of six 5 states of any analogous CRES provider, any entity 6 that's analogous to a CRES provider in Ohio, that has 7 a guarantee of recovery of their closure costs? 8 A. Those entities would consider that in the 9 pricing of their product. 10 MR. KUTIK: Please read my question. 11 Q. Please answer it. 12 (Record read.) 13 A. It's up to the CRES provider how they -- 14 Q. That doesn't answer my question. Give me 15 the name of any entity that's analogous to a CRES 16 provider in any of the states that you have looked at 17 which has a guarantee of their closure costs. 18 MR. SATTERWHITE: I'll object to the 19 extent it's asking for a guarantee of a legal basis 20 from the witness. 21 Q. Can you give me one name? 22 A. I have not looked at that specific as to 23 whether -- what provisions there are that 24 specifically guarantee or don't guarantee. I haven't</p>	<p style="text-align: right;">Page 103</p> <p>1 Are you aware of a rider called CCSR in 2 this case? 3 A. Yes. 4 Q. Do you know what that's about? 5 A. For the carbon capture and storage. 6 Q. Okay. Is that project going forward? 7 A. To my knowledge, that's been put on hold. 8 Q. The company still, though, proposes to 9 recover costs through that rider in the ESP that it's 10 proposing here, correct? 11 A. And that's beyond the scope of my 12 testimony. 13 Q. Again, something you don't know. 14 A. It's not part of my testimony. 15 Q. Do you know or don't you know? 16 A. It is a proposed rider in this case. 17 Q. Can you answer my question? 18 A. Could you repeat the question? 19 Q. My question was, does the company intend 20 to recover any costs related to the Mountaineer 21 project through the proposed rider CCSR in this case? 22 A. It is a proposed rider in this case. 23 Q. Does the company intend to recover costs 24 with respect to that project in this case?</p>
<p style="text-align: right;">Page 102</p> <p>1 looked at that. 2 Q. So your answer is you don't know. 3 A. My answer is I haven't looked at that. 4 Q. So you don't know. 5 A. I haven't looked at it. 6 Q. So you don't know. Is there a reason 7 that you can't say you don't know, ma'am? 8 A. I haven't looked at it. 9 Q. So you don't know. 10 A. I do not know because I have not looked 11 at it. 12 Q. Thank you. 13 Are you aware, ma'am, of any regulation 14 or statute that allows facility closure costs to be 15 recovered via a rider? 16 MR. SATTERWHITE: Objection, again. 17 A. Are you talking in general, anywhere? 18 Q. I think I mean Ohio now. 19 A. I've not reviewed the specifics. I've 20 not reviewed that. 21 Q. So, again, another thing you don't know? 22 A. I don't know because I've not reviewed 23 it. 24 Q. Thank you.</p>	<p style="text-align: right;">Page 104</p> <p>1 A. I believe that the company has proposed 2 recovery under that rider. 3 Q. Okay. And are there specific costs that 4 the company has proposed to recover through that 5 rider? 6 A. I don't know the specifics of those 7 costs. 8 Q. Okay. Are you aware, for example, 9 whether the company proposes to recover the cost of 10 the FEED, F-E-E-D, study? 11 A. I don't know the details of what is being 12 recovered under that rider. 13 Q. So you don't know whether the company is 14 going to attempt to recover those costs. 15 A. The company has proposed to recover 16 costs, I don't know the details of those costs. 17 Q. Were those details not provided to you in 18 coming up with your testimony? 19 A. I didn't need those details for my 20 testimony. 21 Q. So you didn't bother to put them in. 22 A. That's not what I said. 23 Q. Okay. Well, did you put in any value for 24 rider CCSR in your calculations?</p>

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<p>1 A. No.</p> <p>2 Q. Did you put any value for rider FCCR in</p> <p>3 your calculations?</p> <p>4 A. No.</p> <p>5 Q. When you wrote your testimony, did you</p> <p>6 review any of the company's plans for closure or</p> <p>7 closing plants?</p> <p>8 A. I looked at the most recent forecast,</p> <p>9 long-term forecast.</p> <p>10 Q. And did that forecast include plans for</p> <p>11 closing plants?</p> <p>12 A. I'm aware of one during the ESP period.</p> <p>13 Q. Okay. Was that the Sporn 5 unit?</p> <p>14 A. No.</p> <p>15 Q. It was another unit?</p> <p>16 A. Conesville 3.</p> <p>17 Q. Okay. So you knew that the Conesville 3</p> <p>18 unit was planned for closure.</p> <p>19 A. Yes.</p> <p>20 Q. Were you aware of any estimates that the</p> <p>21 company has created with respect to what it would</p> <p>22 cost to close that unit?</p> <p>23 A. In terms of additional closure costs, we</p> <p>24 did not have an estimate, and based on the date for</p>	<p>1 Q. Has the company identified those</p> <p>2 potential costs at this time?</p> <p>3 A. No.</p> <p>4 Q. Okay. So it would be fair to say that</p> <p>5 with respect to all of the known potential costs, the</p> <p>6 ones that they've calculated, the company does not</p> <p>7 intend to recover those costs through rider FCCR with</p> <p>8 respect to Conesville 3.</p> <p>9 A. The company intends to recover any</p> <p>10 closure costs that would occur with Conesville 3 but</p> <p>11 an estimate has not been developed at this time for</p> <p>12 any additional closure costs that might occur.</p> <p>13 Q. Okay. Well, the company has an estimate</p> <p>14 currently of what it would cost to close Conesville</p> <p>15 3, correct?</p> <p>16 A. The company has not estimated all of the</p> <p>17 closure costs. The company has reviewed what would</p> <p>18 be -- whether or not there would be an undepreciated</p> <p>19 balance is what I said.</p> <p>20 Q. And was it determined at this time that</p> <p>21 there wouldn't be, based upon the presently estimated</p> <p>22 costs, that there wouldn't be an undepreciated</p> <p>23 balance?</p> <p>24 A. As far as undepreciated balance, that's</p>
Page 106	Page 108
<p>1 that closure there would not be any undepreciated</p> <p>2 book balance.</p> <p>3 Q. So the company wouldn't, at least</p> <p>4 currently, be intending to recover any costs for</p> <p>5 closure of the Conesville 3 plant or unit. Is that</p> <p>6 your understanding?</p> <p>7 A. There is the potential for additional</p> <p>8 closure costs, but we did not have an estimate of</p> <p>9 those.</p> <p>10 Q. So with respect to the costs as they've</p> <p>11 been currently estimated to be for that unit, the</p> <p>12 company would not envision recovering those costs</p> <p>13 through rider FCCR. Correct?</p> <p>14 A. No.</p> <p>15 Q. Okay. So there may be costs that the</p> <p>16 company currently knows about that it seeks -- that</p> <p>17 it would seek to recover through rider FCCR.</p> <p>18 MR. SATTERWHITE: Objection.</p> <p>19 A. No.</p> <p>20 Q. All right. Where am I wrong?</p> <p>21 A. There is a potential for additional costs</p> <p>22 associated with that unit that could occur and the</p> <p>23 company would seek recovery of those through the</p> <p>24 rider.</p>	<p>1 correct.</p> <p>2 Q. And if there were no additional costs,</p> <p>3 would the company attempt to collect closure costs</p> <p>4 for that plant through rider FCCR?</p> <p>5 A. If there were no additional closure costs</p> <p>6 incurred, then there would be no costs for that unit</p> <p>7 to be recovered under the rider.</p> <p>8 Q. Okay. So the answer would be they</p> <p>9 wouldn't recover anything under that rider under</p> <p>10 those circumstances.</p> <p>11 A. Because there would be no costs to</p> <p>12 recover.</p> <p>13 Q. So yes, because there would be no costs</p> <p>14 to recover.</p> <p>15 A. And if there were costs to be recovered,</p> <p>16 we would seek recovery of those.</p> <p>17 Q. So that if there were additional costs</p> <p>18 and those costs went beyond the undepreciated balance</p> <p>19 or were greater than the undepreciated balance, then</p> <p>20 that cost would seek to be recovered, that --</p> <p>21 A. Yes.</p> <p>22 Q. -- that overage, so to speak, correct?</p> <p>23 A. That additional closure cost, yes.</p> <p>24 Q. Are you aware of a rider called rider</p>

<p style="text-align: right;">Page 109</p> <p>1 GRR?</p> <p>2 A. I'm aware of it.</p> <p>3 Q. And what's the purpose of that?</p> <p>4 A. I don't recall off the top of my head</p> <p>5 what the acronym stands for.</p> <p>6 Q. Okay. Does that have anything to do with</p> <p>7 the Turning Point project?</p> <p>8 A. It could. Again, I haven't reviewed the</p> <p>9 riders recently.</p> <p>10 Q. Is there a rider that is going to -- is</p> <p>11 the appropriate rider for the recovery of the</p> <p>12 construction of the Turning Point project?</p> <p>13 A. I believe that's covered under one of the</p> <p>14 riders. Again, I haven't reviewed the riders</p> <p>15 recently.</p> <p>16 Q. Is there -- do you know whether the</p> <p>17 company has prepared a revenue requirement for the</p> <p>18 recovery of the costs involved in the Turning Point</p> <p>19 project?</p> <p>20 A. I don't know.</p> <p>21 Q. So if there is, would it be fair to say</p> <p>22 that you did not use that in coming up with a value</p> <p>23 for any of the riders that you might have used to</p> <p>24 come up with your either MRO or ESP prices? Correct?</p>	<p style="text-align: right;">Page 111</p> <p>1 Q. Okay. Has AEP made any estimates of the</p> <p>2 replacement cost for its coal-fired plants?</p> <p>3 A. I don't know.</p> <p>4 Q. Do you know whether AEP-Ohio has made any</p> <p>5 statements to investors about those types of costs?</p> <p>6 A. I don't know.</p> <p>7 Q. Do you know whether Ohio, the state of</p> <p>8 Ohio, is a net importer or exporter of energy? I'm</p> <p>9 talking about electric power.</p> <p>10 A. I don't know.</p> <p>11 Q. Do you have any notion as to whether or</p> <p>12 where PJM's reserve margins stand versus the target</p> <p>13 that PJM has for those reserve margins?</p> <p>14 A. I don't know.</p> <p>15 Q. Do you know what PJM target reserve</p> <p>16 margins are?</p> <p>17 A. I don't recall what those are.</p> <p>18 Q. Before I mentioned it today were you</p> <p>19 aware that PJM actually had target reserve margins?</p> <p>20 A. Yes.</p> <p>21 Q. Do you know what AEP's net reserve</p> <p>22 margins are?</p> <p>23 A. I don't recall.</p> <p>24 Q. Do you know what AEP -- do you know</p>
<p style="text-align: right;">Page 110</p> <p>1 A. Right. There is no -- nothing for the</p> <p>2 Turning Point that is included in the MRO test.</p> <p>3 Q. Is there anything for the recovery of</p> <p>4 those costs in the -- when you say "MRO test," it's</p> <p>5 not in the MRO side and it's not in the ESP side,</p> <p>6 right?</p> <p>7 A. It's not in the test shown in my Exhibit</p> <p>8 2.</p> <p>9 Q. So it's nowhere, whether it be the MRO or</p> <p>10 ESP side.</p> <p>11 A. Right. It's not in Exhibit 2.</p> <p>12 Q. Does AEP-Ohio propose to show as a</p> <p>13 condition for recovery for projects like Turning</p> <p>14 Point that the resource represented by that plant is</p> <p>15 a project that cannot -- that cannot be -- let me</p> <p>16 strike that. Let me start again.</p> <p>17 Does AEP-Ohio propose to show as a</p> <p>18 condition of recovery under whatever rider might</p> <p>19 apply to the Turning Point project whether the</p> <p>20 resource represented by that plant or unit is or</p> <p>21 cannot be obtained at a lower cost?</p> <p>22 MR. SATTERWHITE: Objection. Go ahead.</p> <p>23 A. I don't know. That's not something I've</p> <p>24 looked at.</p>	<p style="text-align: right;">Page 112</p> <p>1 whether AEP has projected or made any projections</p> <p>2 with respect to its reserve margins through the ESP</p> <p>3 period?</p> <p>4 A. I don't recall whether or not that is in</p> <p>5 the long-term forecast.</p> <p>6 Q. Okay.</p> <p>7 MR. KUTIK: Let's go off the record.</p> <p>8 (Discussion off the record.)</p> <p>9 MR. KUTIK: Back on the record.</p> <p>10 Q. I'm going to show you a document,</p> <p>11 Ms. Thomas, that was attached to a response to</p> <p>12 Exelon's request for production of documents, third</p> <p>13 set, No. 14, and I want you to look at the</p> <p>14 attachment. The first question, without identifying</p> <p>15 anything about the attachment, the only thing I want</p> <p>16 you to answer for me is whether you've ever seen that</p> <p>17 before.</p> <p>18 A. I don't believe so.</p> <p>19 Q. You've only looked through the first</p> <p>20 couple pages. Could you look through the rest of the</p> <p>21 document?</p> <p>22 A. I don't believe that I have seen this.</p> <p>23 Q. How many pages did you look at before you</p> <p>24 gave me that answer?</p>

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<p>1 A. Well, just from the cover page I couldn't 2 tell. So I -- 3 MR. SATTERWHITE: Go ahead and look at 4 the whole thing to be sure. 5 MR. KUTIK: Yes. 6 A. I got to page 3, 4. 7 MR. SATTERWHITE: Just look at the whole 8 thing to be sure. 9 THE WITNESS: Okay. 10 A. I have not seen this document before. 11 Q. Would it be correct to say that you've 12 not seen any portion of that document before? 13 MR. SATTERWHITE: Finish looking at the 14 whole thing just so you know. Take your time. 15 Q. Is your answer the same, that you've 16 never seen any portion of that document before? 17 A. I mean, I may have seen some of the 18 things like some of the pricing information or in 19 terms of capacity information or things like that 20 in -- 21 Q. Other contexts? 22 A. -- in other contexts, but I've not seen 23 this document before. 24 Q. Fair enough. So would it be fair to say</p>	<p>1 wasn't positive what was in the forecast, the 2 company's long-term forecast, regarding capacity and 3 that that probably had reserve margin information in 4 it. 5 Q. Okay. 6 A. But I have not seen this page before. 7 Q. Right. But is it your understanding now, 8 if we take this piece of paper away from you, that 9 the company has made reserve margin estimates through 10 the ESP period? 11 A. Yes. I believe that that would be a 12 correct statement. 13 Q. And would it be fair to say that you 14 didn't refer to any of those estimates for purposes 15 of putting together your Exhibit 2? 16 A. No, I did not. 17 Q. The answer is yes, you did not. 18 A. That's correct. 19 Q. Okay. 20 A. Yes, I did not look at that information 21 for that purpose. 22 Q. Are you familiar with a rider called 23 NERC?R? 24 A. Yes.</p>
Page 114	Page 116
<p>1 that you may have seen some of the information in 2 this document without recalling seeing the document 3 before? 4 A. I may have seen a few of the pieces of 5 information, but I have not seen this document 6 before. 7 Q. Fair enough. 8 Can you turn to page 25. And all I'm 9 going to ask you about this, ma'am, is whether 10 looking at the information on page 25 refreshes your 11 recollection as to whether the company has prepared 12 estimates of its reserve margin throughout the ESP 13 period. 14 MR. SATTERWHITE: Objection. Go ahead. 15 A. I believe that this shows certain 16 scenarios and what the capacity position would be 17 under those scenarios. 18 Q. But my question is does it refresh your 19 recollection of whether the company has prepared 20 estimates of what its reserve margin might be 21 throughout the ESP period? 22 MR. SATTERWHITE: Same objection. 23 A. Given that I've not seen this page before 24 I think I answered previously that I believed but I</p>	<p>1 Q. And would it be fair to say that you did 2 not include any value for that rider in your Exhibit 3 2 or Exhibit 4 in your supplemental testimony? 4 A. That's correct. 5 Q. Are you aware of whether the company has 6 prepared any estimates of the costs that would be 7 sought to be recovered under that rider? 8 A. The company does not have an estimate of 9 those costs. 10 Q. Okay. Would it be correct to say that 11 the company would not be attempting to recover 12 transmission related costs under that rider? 13 A. That's correct. 14 Q. So it would be with respect to generation 15 related compliance costs that would be recovered 16 under the rider. 17 A. Yes. Under the rider it would be 18 generation related costs for compliance with NERC 19 related requirements. 20 Q. Now, would it be correct -- well, what is 21 the rationale for the rider not being bypassable? 22 MR. SATTERWHITE: Objection. 23 Q. Well, back up. Would it be correct to 24 say that the company's currently proposing that that</p>

<p style="text-align: right;">Page 117</p> <p>1 rider be nonbypassable?</p> <p>2 A. Yes.</p> <p>3 Q. What's the rationale for that, if you</p> <p>4 know?</p> <p>5 A. Those compliance costs would be related</p> <p>6 to, basically required for reliability purposes as</p> <p>7 determined by NERC and the reliability of the system</p> <p>8 is something that all customers should pay for.</p> <p>9 Q. Do CRES suppliers also have to comply</p> <p>10 with NERC requirements?</p> <p>11 A. Depends on whether or not they have</p> <p>12 generation and the specifics of the NERC requirement.</p> <p>13 Q. So let's assume that they have</p> <p>14 generation. Would they be required to comply with</p> <p>15 NERC requirements?</p> <p>16 MR. SATTERWHITE: Objection.</p> <p>17 Q. If you know.</p> <p>18 A. I think it depends on the requirement.</p> <p>19 Q. So they might be.</p> <p>20 A. They might be.</p> <p>21 Q. Okay. Can you tell me a requirement that</p> <p>22 would apply to AEP but wouldn't apply to any other</p> <p>23 CRES supplier with generation?</p> <p>24 MR. SATTERWHITE: Objection.</p>	<p style="text-align: right;">Page 119</p> <p>1 Wednesday Afternoon Session,</p> <p>2 August 10, 2011.</p> <p>3 ---</p> <p>4 EXAMINATION (continued)</p> <p>5 By Mr. Kutik:</p> <p>6 Q. Ms. Thomas, do you have any corrections</p> <p>7 to make to either your testimony or your supplemental</p> <p>8 testimony?</p> <p>9 A. In my supplemental testimony I identified</p> <p>10 a couple of corrections to my direct testimony on</p> <p>11 pages 8 and 16.</p> <p>12 Q. Do you have any other corrections that</p> <p>13 you're aware of at this time?</p> <p>14 A. Not at this time.</p> <p>15 Q. Would I be correct that you are not the</p> <p>16 witness to testify about proposed rider AER?</p> <p>17 A. That's correct.</p> <p>18 Q. And would it also be correct to say that</p> <p>19 you are not the witness to testify about the pool</p> <p>20 termination and modification rider?</p> <p>21 A. That's correct.</p> <p>22 Q. Would it be fair to say that all the</p> <p>23 information, to the extent you have any, with respect</p> <p>24 to those riders comes from other witnesses?</p>
<p style="text-align: right;">Page 118</p> <p>1 A. I can't point to a specific requirement,</p> <p>2 but I do know that there are a lot of things in terms</p> <p>3 of how those get applied in different regions, in</p> <p>4 different -- to different companies, and because of</p> <p>5 the reliability implications for some.</p> <p>6 Q. Okay. Are you aware of any requirement</p> <p>7 that would apply to a CRES supplier with generation</p> <p>8 in PJM that would be different --</p> <p>9 MR. SATTERWHITE: Same objection.</p> <p>10 Q. -- than whatever requirements AEP would</p> <p>11 have to comply with?</p> <p>12 A. I've not reviewed what would be</p> <p>13 applicable to a CRES provider.</p> <p>14 Q. So you don't know.</p> <p>15 A. I don't know because I've not reviewed</p> <p>16 what would be applicable to a CRES provider.</p> <p>17 MR. KUTIK: Okay. Let's go off the</p> <p>18 record.</p> <p>19 (Discussion off the record.)</p> <p>20 (At 11:47 a.m. a lunch recess was taken</p> <p>21 until 1:00 p.m.)</p> <p>22 ---</p> <p>23</p> <p>24</p>	<p style="text-align: right;">Page 120</p> <p>1 A. Yes.</p> <p>2 Q. Now, you are familiar with the rider</p> <p>3 called rider EICCR, correct?</p> <p>4 A. I am familiar with it. Generally</p> <p>5 familiar.</p> <p>6 Q. And would you be comfortable if I just</p> <p>7 called it the environmental cost rider?</p> <p>8 A. Sure.</p> <p>9 Q. There is currently an environmental cost</p> <p>10 rider for the AEP-Ohio companies, correct?</p> <p>11 A. Yes.</p> <p>12 Q. And that is a rider that is currently</p> <p>13 bypassable, correct?</p> <p>14 A. That's correct.</p> <p>15 Q. And, as I understand it, there are some</p> <p>16 changes you want to make or that the company is</p> <p>17 proposing with respect to that rider, correct?</p> <p>18 A. Yes. Mr. Nelson discusses those changes.</p> <p>19 Q. And with respect to your understanding of</p> <p>20 that rider, one change is that it be nonbypassable,</p> <p>21 correct?</p> <p>22 A. That's correct.</p> <p>23 Q. Another change would be that the company</p> <p>24 would basically provide a forecasted number that</p>

<p style="text-align: right;">Page 121</p> <p>1 would be subsequently tried up, correct?</p> <p>2 A. That's my understanding.</p> <p>3 Q. Are there any other changes that you are</p> <p>4 aware of or that you understand or is that basically</p> <p>5 it?</p> <p>6 A. That's what I'm aware of. I don't recall</p> <p>7 anything else at this time.</p> <p>8 Q. So the two you're aware of are those two.</p> <p>9 A. Yes.</p> <p>10 Q. Now, you have included in your</p> <p>11 calculations in Exhibits 2 and 4 of your testimony a</p> <p>12 value for the environmental cost rider, correct?</p> <p>13 A. That's correct.</p> <p>14 Q. And the value you included was a value</p> <p>15 for estimated 2011 costs, correct?</p> <p>16 A. Yes. It reflects 2011 costs even though</p> <p>17 under the current mechanism those won't be collected</p> <p>18 until 2012.</p> <p>19 Q. Okay. And you used the same number, that</p> <p>20 is the 2011 derived number, for the entirety of the</p> <p>21 ESP period, correct?</p> <p>22 A. That's correct.</p> <p>23 Q. Why did you do that?</p> <p>24 A. I used the 2011, which is the most</p>	<p style="text-align: right;">Page 123</p> <p>1 Q. When you say --</p> <p>2 MR. KUTIK: Well, can you read her</p> <p>3 answer, please.</p> <p>4 (Record read.)</p> <p>5 Q. Did you mean nonbypassable?</p> <p>6 A. Yes. I meant to say to make that</p> <p>7 nonbypassable.</p> <p>8 Q. Okay. Well, what understanding do you</p> <p>9 have about, quote, the test that would cause you not</p> <p>10 to use current projections for environmental costs in</p> <p>11 2012, '13, and '14?</p> <p>12 A. Based on the provisions that call for</p> <p>13 what adjustments you make to your current ESP rates</p> <p>14 for the purposes of a test.</p> <p>15 Q. And why do those provisions have any</p> <p>16 relevance to whether you use estimates or not?</p> <p>17 A. My understanding of what's required for</p> <p>18 the test does not require you to project those out</p> <p>19 for every year, and this is consistent with our</p> <p>20 proposal to make those things not bypassable which</p> <p>21 would then occur on either side of the test.</p> <p>22 Q. Do you believe that it is appropriate to</p> <p>23 provide the Commission, in its evaluation of whether</p> <p>24 the ESP is more beneficial in the aggregate than an</p>
<p style="text-align: right;">Page 122</p> <p>1 current rate adjusted out for the known investments</p> <p>2 for '11 and did not project out additional costs that</p> <p>3 may or may not occur, you know, in those future</p> <p>4 years.</p> <p>5 Q. Okay. So it's because you -- is it the</p> <p>6 case that the company, in fact, has projections of</p> <p>7 its environmental costs for years 2011, '13, and '14</p> <p>8 [verbatim]?</p> <p>9 A. I believe that there are projections, but</p> <p>10 like you said, it's under a bypassable rider so I</p> <p>11 just included the effects of the current rider.</p> <p>12 Q. My question was does the company</p> <p>13 currently have projections of what it believes that</p> <p>14 its environmental costs will be in 2012, '13, and</p> <p>15 '14?</p> <p>16 A. And I just said I believe that they do</p> <p>17 have forecasts, but that I utilized here the current</p> <p>18 rate through the period.</p> <p>19 Q. You didn't utilize those forecasts.</p> <p>20 A. No, I didn't.</p> <p>21 Q. Why didn't you use those forecasts?</p> <p>22 A. I utilized the current based on my</p> <p>23 understanding of what's required for the test as well</p> <p>24 as the company's proposal to make that bypassable.</p>	<p style="text-align: right;">Page 124</p> <p>1 MRO, with the company's best estimate as to what it</p> <p>2 would cost, either the ESP or the MRO, through the</p> <p>3 proposed ESP period?</p> <p>4 A. Could you repeat that, please?</p> <p>5 Q. Sure. Do you think it is appropriate for</p> <p>6 the company to provide the Commission with the</p> <p>7 company's best estimate as to what the ESP and the</p> <p>8 MRO, respectively, would cost throughout the ESP</p> <p>9 period?</p> <p>10 A. I believe that that's a piece of</p> <p>11 information that the Commission can use and consider</p> <p>12 in its determination of whether in the aggregate an</p> <p>13 ESP is appropriate.</p> <p>14 Q. Okay. And so it behooves the parties in</p> <p>15 this case to be able to provide the Commission with</p> <p>16 the best estimate of what each of those alternatives,</p> <p>17 the MRO on the one hand the ESP on the other one,</p> <p>18 would cost for the entirety of the ESP period,</p> <p>19 correct?</p> <p>20 A. Well, again, they would need to look at</p> <p>21 it in the aggregate and for the purposes of this</p> <p>22 quantitative analysis and believe that it was needed</p> <p>23 for this portion of the analysis.</p> <p>24 Q. Well, I didn't ask you whether you</p>

<p style="text-align: right;">Page 125</p> <p>1 thought it was needed or not. That wasn't my 2 question, okay? My question -- 3 MR. KUTIK: Could you read my question, 4 please. 5 (Record read.) 6 A. I can't speak to the other parties. What 7 I can speak to is that, you know, the information -- 8 we believe we put into the filing the information 9 that is needed for the Commission to make the 10 determination of an ESP in the aggregate versus an 11 MRO. 12 Q. Did you try to give the Commission 13 AEP-Ohio's best estimate as to what the ESP would 14 cost and what the MRO would cost for the entirety of 15 the ESP period? 16 A. We provided the test as well as 17 information that could be provided about the 18 riders -- 19 Q. That's -- 20 MR. SATTERWHITE: Let her finish. 21 A. -- where information was available. 22 Q. Can you answer the question "yes" or 23 "no"? 24 THE WITNESS: Can you repeat the</p>	<p style="text-align: right;">Page 127</p> <p>1 answer your question. 2 MR. KUTIK: Could you read my question, 3 please. 4 (Record read.) 5 A. And my answer is that what I did -- 6 Q. Can you answer the question "yes" or "no" 7 first? 8 A. Well, you're mischaracterizing -- 9 Q. So the answer is -- 10 MR. SATTERWHITE: Let her give the 11 context. You keep asking and you cut her off. 12 MR. KUTIK: She can say "yes" or "no" and 13 then -- 14 MR. SATTERWHITE: Allow her to answer the 15 question. 16 MR. KUTIK: I don't want her to waste 17 time. I want her to answer my question. 18 Q. My question is fairly answerable with a 19 "yes" or "no." If it's no, say "no" and you can 20 explain why it's no. 21 MR. SATTERWHITE: She answered yes 22 earlier and gave her explanation, and you're asking 23 her the same question again. 24 MR. KUTIK: Actually, she did not say</p>
<p style="text-align: right;">Page 126</p> <p>1 question. 2 (Record read.) 3 A. And I would say through all the various 4 pieces of information provided by the company in this 5 case, yes. 6 Q. Okay. So in terms of what you were 7 trying to do, your piece of it, you tried to give the 8 Commission the best comparison that AEP had in terms 9 of what the prices would be for the ESP price and the 10 MRO for the entirety of the ESP period, correct? 11 MR. SATTERWHITE: Objection. Go ahead. 12 A. I tried to give the Commission an 13 appropriate apples-to-apples comparison based on all 14 the components of what the company filed of what that 15 ESP to MRO comparison should be. 16 Q. That's not my question. I really would 17 appreciate if you would listen to my questions and 18 answer them, not the questions you want to answer. 19 MR. SATTERWHITE: Please don't give her a 20 speech. Just ask her questions. 21 MR. KUTIK: No; I'm entitled to make a 22 comment when she continuously does not answer my 23 questions. 24 MR. SATTERWHITE: Well, she's trying to</p>	<p style="text-align: right;">Page 128</p> <p>1 "yes." 2 MR. SATTERWHITE: Yes, she did. 3 Q. (By Mr. Kutik) Go ahead. 4 A. I'm trying to answer your question by 5 trying to give the Commission the appropriate 6 comparison by giving an apples-to-apples comparison 7 of the ESP and the MRO with all the other information 8 needed to evaluate the ESP. 9 Q. Did you try to come up with the best 10 estimate of what it would cost for the ESP and the 11 MRO, "yes" or "no"? 12 A. I guess I need clarification in terms of 13 by whose view do you mean best estimate. 14 Q. Your view. 15 A. In my view this is the best estimate for 16 the company when taken into account with all of the 17 other pieces of the filing and an apples-to-apples 18 comparison for the Commission. 19 Q. So this is the best estimate for the 20 company with respect to what it would cost for the 21 ESP and the MRO in terms of a quantitative analysis, 22 correct? 23 A. That's not what I said. 24 Q. Okay. Is it a best estimate of what the</p>

<p style="text-align: right;">Page 129</p> <p>1 price would be for the ESP for the entirety of the</p> <p>2 ESP period?</p> <p>3 MR. SATTERWHITE: Objection. Go ahead.</p> <p>4 Q. "Yes" or "no"?</p> <p>5 A. This is the best estimate of those</p> <p>6 components that when put together with all the other</p> <p>7 elements of the company's filing give the best</p> <p>8 estimate for the Commission of what an ESP would be</p> <p>9 on an apples-to-apples comparison with an MRO.</p> <p>10 Q. I thought we agreed earlier that as far</p> <p>11 as you know this is the only quantitative analysis</p> <p>12 that is being presented in terms of a comparison by</p> <p>13 AEP-Ohio. Am I right about that?</p> <p>14 A. That's correct.</p> <p>15 Q. Okay. Now, in terms of this quantitative</p> <p>16 analysis, does this represent the best quantitative</p> <p>17 analysis to provide the best estimate of the costs</p> <p>18 for the ESP versus the costs for the MRO?</p> <p>19 A. This is the best estimate of the costs</p> <p>20 that are relevant for this quantitative analysis that</p> <p>21 when put together with all the other elements of the</p> <p>22 ESP is what is needed to determine whether an ESP is</p> <p>23 more favorable in the aggregate.</p> <p>24 Q. You used the term "relevant." So there</p>	<p style="text-align: right;">Page 131</p> <p>1 Correct?</p> <p>2 A. That's what the document says.</p> <p>3 Q. All right. Did you use the estimate for</p> <p>4 2012 in your Exhibits 2 and 4?</p> <p>5 A. No, I did not.</p> <p>6 Q. Have you done any readings of the</p> <p>7 company's plan or -- that's lawyer talk. Strike</p> <p>8 that.</p> <p>9 Have you read the company's documentation</p> <p>10 that's publicly available about what its plans are</p> <p>11 regarding environmental costs?</p> <p>12 A. I have seen and read some of the external</p> <p>13 announcements, yes.</p> <p>14 Q. For example, there have been press</p> <p>15 releases.</p> <p>16 A. Yes.</p> <p>17 Q. There have been forecasts in, for</p> <p>18 example, the 10-Q; you're aware of that?</p> <p>19 A. I'm not aware specifically to what you're</p> <p>20 referring to.</p> <p>21 Q. It wouldn't surprise you that that's in</p> <p>22 the 10-Q.</p> <p>23 A. That there might be some general</p> <p>24 estimate.</p>
<p style="text-align: right;">Page 130</p> <p>1 are costs that you didn't include.</p> <p>2 A. As we've talked about from various riders</p> <p>3 that are not included in this test.</p> <p>4 Q. Okay. So it doesn't include all of the</p> <p>5 costs that would be entailed in the customers paying</p> <p>6 for the ESP or customers paying for the MRO, correct?</p> <p>7 A. Yes. It does not include those elements</p> <p>8 that would be -- that would basically exist on both</p> <p>9 sides of the test.</p> <p>10 Q. Okay. Now, would it be correct to say</p> <p>11 that the company -- I think you said earlier that the</p> <p>12 company has estimates of what environmental costs</p> <p>13 would be throughout the ESP period, correct?</p> <p>14 A. I believe so, but Mr. Nelson would be the</p> <p>15 right person to talk to about that.</p> <p>16 Q. Well, I don't think I need to mark this</p> <p>17 as an exhibit, I think it's identifiable. Let me</p> <p>18 show you a document that has been marked in other</p> <p>19 papers filed by AEP as Exhibit AEM-1. Have you seen</p> <p>20 this before, ma'am?</p> <p>21 A. I believe this is an exhibit in the</p> <p>22 filing.</p> <p>23 Q. Okay. And this has an estimate, does it</p> <p>24 not, of estimated environmental costs through 2012?</p>	<p style="text-align: right;">Page 132</p> <p>1 Q. Okay. Would it be, from all the reading</p> <p>2 that you've done on the environmental costs, would it</p> <p>3 be your understanding that the cost to comply with</p> <p>4 environmental regulations in 2013 and 2014 is likely</p> <p>5 to be higher than the environmental costs in 2012?</p> <p>6 MR. SATTERWHITE: Objection. Go ahead.</p> <p>7 A. It may or it may not be depending upon</p> <p>8 how rules ultimately play out.</p> <p>9 Q. Well, from the information that you have</p> <p>10 that's been made publicly available by the company</p> <p>11 would it be fair to say that at least it's the</p> <p>12 company's plan to spend more money on complying with</p> <p>13 environmental regulations in 2013 and '14 than 2012?</p> <p>14 MR. SATTERWHITE: Same objection. Go</p> <p>15 ahead.</p> <p>16 A. That could be, based upon what was known</p> <p>17 at the time that those estimates were made, but that</p> <p>18 may or may not hold true.</p> <p>19 Q. Okay. Isn't it true that at this point</p> <p>20 in time you know nothing to dispute the company's</p> <p>21 projections that 2013 and 2014 compliance costs will</p> <p>22 be higher than 2012?</p> <p>23 MR. SATTERWHITE: Objection.</p> <p>24 A. I don't know anything specific other than</p>

<p style="text-align: right;">Page 133</p> <p>1 the fact that rules are not final.</p> <p>2 Q. But it is your understanding that at</p> <p>3 least in terms of the company's current projections</p> <p>4 the compliance costs to comply with environmental</p> <p>5 regulations in 2013 and '14 will be higher than 2012,</p> <p>6 correct?</p> <p>7 MR. SATTERWHITE: Objection. Go ahead.</p> <p>8 A. Based on whatever information was done at</p> <p>9 the time.</p> <p>10 Q. Okay. Now -- well, so the answer is yes</p> <p>11 based upon whatever information was available at the</p> <p>12 time.</p> <p>13 A. Yes.</p> <p>14 Q. Now, is it your understanding that the</p> <p>15 environmental cost rider is to cover construction</p> <p>16 costs?</p> <p>17 A. I don't recall.</p> <p>18 Q. Do you know whether the environmental</p> <p>19 cost rider is intended to recover operation and</p> <p>20 maintenance expenses?</p> <p>21 A. I don't recall.</p> <p>22 Q. Do you know whether the environmental</p> <p>23 cost rider is intended to recover carrying costs?</p> <p>24 A. I don't recall.</p>	<p style="text-align: right;">Page 135</p> <p>1 MR. SATTERWHITE: Same objection.</p> <p>2 A. Yes, I -- again, I can't say for sure.</p> <p>3 All I can say is that I believe there will probably</p> <p>4 be some environmental costs. I can't say anything</p> <p>5 more than that.</p> <p>6 Q. Do you know whether there's any provision</p> <p>7 of section 4928.143 that allows for the recovery of</p> <p>8 forecasted costs?</p> <p>9 MR. SATTERWHITE: Objection. Calling for</p> <p>10 a legal interpretation.</p> <p>11 A. I don't recall.</p> <p>12 Q. Do you know whether environmental</p> <p>13 projects can be eligible for special types of</p> <p>14 financing available from governmental entities?</p> <p>15 A. I don't know.</p> <p>16 Q. Now, you previously have talked about the</p> <p>17 POLR, P-O-L-R, obligation.</p> <p>18 A. Yes.</p> <p>19 Q. And that's also -- in your testimony and</p> <p>20 supplemental testimony you talk about that a lot,</p> <p>21 don't you?</p> <p>22 A. Yes.</p> <p>23 Q. So do you consider yourself an expert on</p> <p>24 the POLR obligation of the company?</p>
<p style="text-align: right;">Page 134</p> <p>1 Q. Do you know whether the environmental</p> <p>2 cost rider is intended to recover CWIP?</p> <p>3 A. I don't recall.</p> <p>4 Q. Do you know whether CWIP includes</p> <p>5 carrying charges?</p> <p>6 A. I don't know.</p> <p>7 Q. Do you think, Ms. Thomas, it would be</p> <p>8 fair to say that during the ESP period the likelihood</p> <p>9 of environmental regulations costing AEP zero is</p> <p>10 zero?</p> <p>11 MR. SATTERWHITE: Objection. Go ahead.</p> <p>12 A. I would say it's reasonable that there</p> <p>13 would be some costs, but I can't speak to what those</p> <p>14 costs would be.</p> <p>15 Q. So the likelihood that those costs would</p> <p>16 be zero is zero. You would agree with that, right?</p> <p>17 MR. SATTERWHITE: Same objection.</p> <p>18 A. I mean, I would be guessing if I said the</p> <p>19 likelihood is zero because I don't know for sure.</p> <p>20 Q. Okay. But based upon your understanding</p> <p>21 of the company's publicly available material, isn't</p> <p>22 it true that the likelihood of environmental</p> <p>23 regulations costing AEP zero during the ESP period is</p> <p>24 zero?</p>	<p style="text-align: right;">Page 136</p> <p>1 A. Yes.</p> <p>2 Q. Did the company have a POLR obligation</p> <p>3 prior to the enactment and the effective date of</p> <p>4 SB 221?</p> <p>5 A. Yes, because the company has always had</p> <p>6 an obligation to serve the customers it's required to</p> <p>7 serve.</p> <p>8 Q. Is the POLR obligation unique to the</p> <p>9 state of Ohio?</p> <p>10 A. I would say in the form that it exists it</p> <p>11 is unique to Ohio.</p> <p>12 Q. But other states have some form of POLR</p> <p>13 obligation; do they not?</p> <p>14 A. Yes.</p> <p>15 Q. Any state in which there is, I think the</p> <p>16 term you used earlier was "customer choice," the</p> <p>17 incumbent utility has some type of POLR obligation,</p> <p>18 correct?</p> <p>19 A. I believe where there are states with</p> <p>20 customer choice that some entity has the POLR</p> <p>21 obligation.</p> <p>22 Q. Because, as the name implies, someone has</p> <p>23 to be the provider of last resort.</p> <p>24 A. That's right.</p>

34 (Pages 133 to 136)

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<p style="text-align: right;">Page 137</p> <p>1 Q. Now, I think we had talked earlier that 2 you mentioned that there is something called the 3 migration risk, correct? 4 A. Yes. Part of the POLR risk is migration 5 away from the company and returning customers. 6 Q. Okay. So the POLR risk involves two 7 risks, the risk of customers leaving and then the 8 risk of customers returning, correct? 9 A. That's right. 10 Q. Now, would it be fair to say that a CRES 11 provider may have the risk of customers leaving but 12 not the risk of customers returning? 13 A. I would say that the risk that the CRES 14 provider has of customers coming and going is 15 determined by their contractual arrangements with 16 customers. 17 Q. Okay. But that's not my question. 18 MR. KUTIK: Could you read my question, 19 please. 20 (Record read.) 21 A. Yes, but that risk of customers leaving 22 and/or returning is very different than what the EDU 23 faces. 24 Q. Okay. Because the CRES provider can</p>	<p style="text-align: right;">Page 139</p> <p>1 obligation, they only -- what they were addressing 2 was the cost of that obligation. 3 Q. Okay. So you didn't view the court as 4 defining POLR risk as the risk of customers 5 returning, correct? 6 MR. SATTERWHITE: Same objection. Go 7 ahead. 8 Q. Is that your understanding? 9 A. Correct -- 10 MR. SATTERWHITE: Same objection. 11 A. -- because my recollection is that they 12 did not change or address the definition that the 13 Commission had made of what POLR risk was. 14 Q. Now, you in one of your testimonies, 15 either your direct or your supplemental, you discuss 16 the FirstEnergy operating companies, correct? 17 A. Yes. 18 Q. And their POLR risk. 19 A. In general, yes. 20 Q. Now, is it your view the way those 21 companies have decided to procure SSO service that 22 those companies have a POLR risk? 23 A. The companies have some POLR risk, but 24 they've been able to lay off that risk on the</p>
<p style="text-align: right;">Page 138</p> <p>1 manage that risk. 2 A. Yes, because they can choose who they 3 serve under what pricing and under what terms and 4 conditions. 5 Q. Now, as part of your work for the, I 6 think what you called the remand case, the ESP 7 I case, did you read the Supreme Court decision in 8 that case? 9 A. Yes. 10 Q. In your view did the Supreme Court define 11 what the POLR risk is? 12 MR. SATTERWHITE: Objection. It's 13 calling for a legal conclusion. 14 MR. KUTIK: Well, she said she's an 15 expert on POLR obligation for the company. 16 MR. SATTERWHITE: You're asking her to 17 determine a court decision. 18 MR. KUTIK: Well, she's an expert on the 19 POLR obligation and the Supreme Court obviously 20 defined it some way. I'd like to know what she 21 thinks about that. 22 Q. So can you answer my question, ma'am? 23 A. My recollection is the Supreme Court did 24 not change the Commission's definition of the POLR</p>	<p style="text-align: right;">Page 140</p> <p>1 competitive suppliers, but they still have the risk 2 of dealing with supplier defaults. 3 Q. So they theoretically have the risk, but 4 they've been able to manage that risk by, A, having 5 the suppliers take the large portion of the risk and 6 then have default provisions in their supplier 7 agreements; fair to say? 8 A. Yes. 9 Q. Now, are you aware of any study that AEP 10 did which attempted to allocate the cost of the POLR 11 risk between the risk of customers leaving and the 12 risk of customers returning? 13 A. The only analysis that I'm aware of is 14 where when we determined what the cost of the POLR 15 risk was, we looked at the first leave component 16 separate from customers returning and subsequently 17 leaving. 18 Q. And that first leave component 19 represented what portion of the risk? 20 A. 88 percent. 21 Q. And how was that allocation done? 22 A. Well, it's not an allocation. It's done 23 by looking at the cost of the risk in the constrained 24 model and looking at basically the costs up through</p>

<p style="text-align: right;">Page 141</p> <p>1 the first leave component of the total cost of the</p> <p>2 risk.</p> <p>3 Q. So these values, the 88 percent and then</p> <p>4 the total figure, were both derived using the</p> <p>5 constrained Black model?</p> <p>6 A. That's correct.</p> <p>7 Q. Can I go anywhere in your filing, and by</p> <p>8 "your" I mean the company's filing, to see any</p> <p>9 specific out-of-pocket costs that would arise from</p> <p>10 having to bear the POLR risk?</p> <p>11 A. No.</p> <p>12 Q. Are you aware of any expenses that we</p> <p>13 could find that would show up in a FERC account that</p> <p>14 would arise from the company having to bear a POLR</p> <p>15 risk?</p> <p>16 A. I'm not aware of any separately</p> <p>17 identifiable costs on the books.</p> <p>18 Q. Okay. Now, in terms of how the company</p> <p>19 has managed the POLR risk to date, is it fair to say</p> <p>20 the company has purchased no options or hedges?</p> <p>21 A. That's correct. Let me qualify it.</p> <p>22 That's correct, nothing specifically for the POLR</p> <p>23 risk.</p> <p>24 Q. Okay. And so -- well, has there been any</p>	<p style="text-align: right;">Page 143</p> <p>1 company for customers to leave?</p> <p>2 A. Not that I'm aware of.</p> <p>3 Q. Okay. There's been no study that you're</p> <p>4 aware of with respect to the cost of migration, cost</p> <p>5 to the company of migration, correct?</p> <p>6 A. That's correct.</p> <p>7 Q. Now, in the company's filing it would be</p> <p>8 fair to say that there is no forecast of switching,</p> <p>9 customer switching provided, correct?</p> <p>10 A. I believe that there are -- there is a</p> <p>11 forecast of customer kilowatt-hours that reflect</p> <p>12 switching.</p> <p>13 Q. But my question was is there a forecast</p> <p>14 of customers switching, not something that reflects</p> <p>15 customers switching.</p> <p>16 A. Not to my knowledge.</p> <p>17 Q. Is there any -- have you provided -- has</p> <p>18 the company in its filing provided any data with</p> <p>19 respect to the costs involved in serving returning</p> <p>20 customers?</p> <p>21 A. Not to my knowledge.</p> <p>22 Q. Now, one of those costs would be the cost</p> <p>23 to procure energy, correct? Potentially.</p> <p>24 A. Yes.</p>
<p style="text-align: right;">Page 142</p> <p>1 study done of what it would cost to purchase such</p> <p>2 options or hedges?</p> <p>3 A. Not that I'm aware of.</p> <p>4 Q. Would it be also fair to say that the</p> <p>5 company has no data on the cost of customers leaving?</p> <p>6 A. When you say "data," could you please</p> <p>7 clarify what you mean? Data?</p> <p>8 Q. Well, has the company come up with any</p> <p>9 estimates of what it would cost it, that is the</p> <p>10 company, for customers to leave?</p> <p>11 A. The company has determined the cost of</p> <p>12 the POLR risk and the portion of that cost of the</p> <p>13 POLR risk related to customers leaving.</p> <p>14 Q. Well, that's not the cost of customers</p> <p>15 leaving, it's the cost of the risk, correct?</p> <p>16 A. Customer are leaving.</p> <p>17 Q. They're two different things, are they</p> <p>18 not? One is the cost of customers leaving and one is</p> <p>19 the cost of the risk of customers leaving. It would</p> <p>20 be fair to talk about those two things separately;</p> <p>21 would it not?</p> <p>22 A. Fine.</p> <p>23 Q. My question is does the company have any</p> <p>24 data that you're aware of on what it would cost the</p>	<p style="text-align: right;">Page 144</p> <p>1 Q. And if there were additional costs to</p> <p>2 procure energy, that would be recovered through rider</p> <p>3 FAC, correct?</p> <p>4 A. I'm not sure of all the details of the</p> <p>5 FAC.</p> <p>6 Q. Okay. Well, let's not call it FAC.</p> <p>7 Let's call it a rider, a fuel adjustment rider.</p> <p>8 A. Right.</p> <p>9 Q. Okay. Would purchased power be part of a</p> <p>10 fuel adjustment rider? Would that be recovered</p> <p>11 through a fuel adjustment rider?</p> <p>12 A. I believe generally, but the specifics of</p> <p>13 that through the FAC -- through the fuel adjustment</p> <p>14 clause rider I'm not positive.</p> <p>15 Q. Okay. If the CRES provider was getting</p> <p>16 its capacity from AEP, would there be any additional</p> <p>17 capacity costs to AEP as a result of a customer</p> <p>18 returning?</p> <p>19 A. I don't know.</p> <p>20 Q. Now, you have relied upon the Black model</p> <p>21 and/or the constrained Black model for part of your</p> <p>22 testimony, correct?</p> <p>23 A. Yes. My testimony is based on the</p> <p>24 constrained model.</p>

<p style="text-align: right;">Page 145</p> <p>1 Q. And would it be fair to say that you 2 believe that the cost of the POLR risk is what the 3 company is proposing to charge? 4 A. That is correct. 5 Q. And would it be fair to say that you 6 believe the cost of the POLR risk equals the value of 7 the option to shop to the customer? Correct? 8 A. I believe that the cost of the risk is 9 equal to the valuation of the option which is the 10 benefit of the option to the customer. 11 Q. Okay. So it's the value of the option to 12 the customer, correct? 13 A. It's the value of the -- the valuation of 14 the option which is the benefit to the customer. 15 Q. Okay. What's the difference between 16 value and valuation? Can you explain that to me? 17 A. Well, the valuation of the option is the 18 determination of what that cost is, and then the 19 benefit to the customer is the same as the cost of 20 that option. 21 Q. Okay. Is there some reason we can't say 22 the value of the option? 23 A. Well, people confuse the term "value" 24 quite frequently.</p>	<p style="text-align: right;">Page 147</p> <p>1 or whether the valuation of the option equaled the 2 cost. 3 A. We had some discussion on that, yes. 4 Q. Are you relying principally on her views? 5 A. On hers, Dr. Makhija's, to support that, 6 yes. 7 Q. So your view isn't a view that you 8 reached based upon independent study; fair to say? 9 A. Regarding the -- well, no. I would say 10 no, my view that what we calculated was the cost to 11 the company was -- that that's my independent view, 12 that we calculated the cost to the company. 13 Q. And you reached that before you talked 14 with Dr. LaCasse. 15 A. Yes. 16 Q. And what was that opinion based on? 17 A. My review of what we were capturing 18 through the model. 19 Q. Okay. Now, is there anyone in the 20 company that you identify as being an expert in the 21 Black model? 22 A. I believe that we've already talked about 23 the people that I worked with on the Black model who 24 have -- that I would consider to be experts in that</p>
<p style="text-align: right;">Page 146</p> <p>1 Q. So the valuation of the option represents 2 the benefit to the customer. 3 A. Which is the cost of the risk. 4 Q. Okay. What basis, what's the basis for 5 you to say that the cost of the risk equals the 6 valuation of the option? 7 A. That's my understanding of what the model 8 is calculating and is also supported by other 9 witnesses in this case. 10 Q. Okay. What other witnesses say that? 11 A. Dr. Makhija and Dr. LaCasse. 12 Q. Did you have that opinion prior to the 13 time you wrote your testimony in the remand case? 14 A. Yes. 15 Q. Had you spoken with those two gentlemen 16 prior to that time? 17 A. I had spoken with Dr. LaCasse. Her. I 18 had spoken with her -- 19 Q. Thank you. 20 A. -- prior to the filing. 21 MR. SATTERWHITE: I didn't want to 22 interrupt you. 23 Q. And so you had talked with her about her 24 views as to the -- whether the valuation of the POLR</p>	<p style="text-align: right;">Page 148</p> <p>1 area. 2 Q. Okay. Did any of them tell you or are 3 you relying on what they told you to come up with 4 your view that the cost of the POLR risk equals the 5 valuation of the option? 6 A. We had discussions around that and so 7 it's a combination of my view plus discussions with 8 them. 9 Q. Now, your view, that's not -- you have a 10 view that the cost of the POLR risk equals the 11 valuation of the option was derived independently of 12 any discussions you had with anyone; fair to say? 13 MR. SATTERWHITE: Objection. Go ahead. 14 A. My view considers the discussions that I 15 had with other people. 16 Q. So did you have a view, independent of 17 what you were told by others, that the cost of the 18 POLR risk equals the valuation of the option? 19 MR. SATTERWHITE: Objection. Go ahead. 20 A. I don't recall the exact sequencing of 21 things. I had discussions with folks and I have a 22 view and I can't tell you exactly what occurred when. 23 Q. Can you tell me of anything you read that 24 gave you the view that the POLR risk equals the</p>

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<p>1 valuation of the option as calculated in using the</p> <p>2 Black model?</p> <p>3 A. I don't recall.</p> <p>4 Q. Okay. Do you believe that you did read</p> <p>5 that?</p> <p>6 A. I don't -- I don't recall reading</p> <p>7 anything specific to POLR, but --</p> <p>8 Q. Okay. So it would be fair to say that --</p> <p>9 MR. SATTERWHITE: Were you done?</p> <p>10 Q. I'm sorry. Were you done?</p> <p>11 A. I also reviewed the Commission's previous</p> <p>12 order where it determined that that was appropriate.</p> <p>13 Q. Okay. And that part of the order was</p> <p>14 reversed by the Supreme Court; was it not?</p> <p>15 MR. SATTERWHITE: Objection.</p> <p>16 A. No. That's not my understanding of what</p> <p>17 the order is.</p> <p>18 Q. Okay. So it would be fair to say that</p> <p>19 the only thing you can recall at this time as the</p> <p>20 basis for your view that the cost of the POLR risk</p> <p>21 equals the valuation of the option is reading the</p> <p>22 Commission's decision in the ESP I case, what your</p> <p>23 own folks told you, and what your experts told you?</p> <p>24 A. As well as my opinion in reviewing all of</p>	<p>1 uncollectible expense rider for unpaid generation</p> <p>2 charges in this case?</p> <p>3 A. Not that I'm aware of.</p> <p>4 Q. Is there a reason why that was not</p> <p>5 proposed?</p> <p>6 MR. SATTERWHITE: Objection.</p> <p>7 A. I've not looked at that. I don't know.</p> <p>8 Q. Now, there are a number of assumptions</p> <p>9 that the Black model has, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And one of those assumptions is that the</p> <p>12 so-called strike price is fixed; is that so?</p> <p>13 A. Yes.</p> <p>14 Q. And the strike price here would be the</p> <p>15 ESP price, correct?</p> <p>16 A. Yes.</p> <p>17 Q. And would it be correct to say that the</p> <p>18 ESP price as proposed is not fixed?</p> <p>19 A. The ESP price varies by year.</p> <p>20 Q. So it's not fixed.</p> <p>21 A. Not for the entire term, but it's fixed</p> <p>22 for each of the years in the test.</p> <p>23 Q. So, for example, you understand with</p> <p>24 respect to the various riders that they would only be</p>
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<p>1 those things and forming my own opinion.</p> <p>2 Q. Okay. But, again, it is based upon what</p> <p>3 others told you and what you read in the Commission's</p> <p>4 opinion, right?</p> <p>5 A. My opinion considers all of those things.</p> <p>6 Q. Correct.</p> <p>7 Does the cost of the risk, in your view,</p> <p>8 equal the economic value of the option to the</p> <p>9 customer?</p> <p>10 A. The cost of the risk is the valuation of</p> <p>11 the option which is the benefit to the customer.</p> <p>12 Q. Okay. Is that the economic value to the</p> <p>13 customer?</p> <p>14 A. I think it's the value of benefit of the</p> <p>15 option.</p> <p>16 Q. So it's the economic value to the</p> <p>17 customer, correct?</p> <p>18 A. The value of the benefit to the customer.</p> <p>19 Q. Is there a reason why you can't say that</p> <p>20 it's the economic value to the customer?</p> <p>21 A. Well, because the economic value could be</p> <p>22 much broader. I'm not -- your term is not clear,</p> <p>23 that's why I'm qualifying it.</p> <p>24 Q. All right. Has AEP proposed an</p>	<p>1 adjusted once per year.</p> <p>2 A. I don't recall the adjustment periods for</p> <p>3 various riders.</p> <p>4 Q. And so you don't recall whether they</p> <p>5 would be adjusted all at the same time either,</p> <p>6 correct?</p> <p>7 A. Well, the ESP price that is used in the</p> <p>8 POLR model is the ESP price shown on Exhibit 2 which</p> <p>9 does not include various riders.</p> <p>10 Q. That's not my question. I didn't ask you</p> <p>11 about your exhibit, okay? I asked you about the ESP</p> <p>12 price that you guys are proposing; do you understand</p> <p>13 that? And I specifically asked you whether the</p> <p>14 riders would be adjusted all at the same time in each</p> <p>15 year. Are they or aren't they? As proposed.</p> <p>16 A. And I said I don't recall.</p> <p>17 Q. Okay. Thank you.</p> <p>18 MR. SATTERWHITE: Were you done?</p> <p>19 Q. Another assumption you made or that the</p> <p>20 Black model makes is that the customer will switch</p> <p>21 instantaneously, correct?</p> <p>22 A. That the -- no.</p> <p>23 Q. Okay. Is that not an assumption that the</p> <p>24 Black model has?</p>

<p style="text-align: right;">Page 153</p> <p>1 A. The model assumes that the customer will 2 switch by looking at the least cost price option over 3 the period. So when you say "instantaneously," we're 4 looking at, you know, over the course of the period. 5 Q. So it's not your view that the Black 6 model assumes that as soon as it is in the customer's 7 economic interest to switch, that he would do so. 8 A. That he would do so by considering all of 9 the things through the ESP period including the 10 switching constraints. 11 Q. Okay. But as soon as he makes that 12 determination, he would switch, correct? 13 A. But that determination takes into account 14 information throughout the entire ESP term. 15 Q. What does that mean? 16 A. What that means is the way that the model 17 works is to consider all of the choices that the 18 customer has throughout the ESP period and chooses 19 the least cost but then brings that information back 20 to prior months where the customer can make a 21 decision and basically brings that information back 22 so it can be part of the least cost decision 23 throughout the term that takes into account the 24 switching constraints.</p>	<p style="text-align: right;">Page 155</p> <p>1 works. 2 Q. All right. Can you say it in any 3 different words other than what you just said? 4 MR. SATTERWHITE: Objection. I don't 5 know if there's a need to say it in any different 6 words. 7 MR. KUTIK: Well, because she hasn't 8 explained it, and I'm entitled to an answer. 9 MR. SATTERWHITE: No. What happened is 10 that you don't understand her explanation -- 11 MR. KUTIK: No. 12 MR. SATTERWHITE: -- but she has 13 explained it. 14 MR. KUTIK: No, she hasn't explained it, 15 and the record will show that. 16 Q. (By Mr. Kutik) All right. Let's break it 17 down. What choices -- you said customers have 18 choices. Give me an example of several of the 19 choices that customers would have. 20 A. A customer can switch to another supplier 21 or may stay with the company depending upon where the 22 market price at that point in time is relative to the 23 ESP price. 24 Q. Any other choice?</p>
<p style="text-align: right;">Page 154</p> <p>1 Q. You know, ma'am, I have no idea what you 2 just said. Can you explain what you just said? 3 A. The model takes into account all of the 4 choices that a customer has in terms of switching or 5 not switching in each month and looks at the 6 information from future months, brings that back to 7 earlier months so that the least-cost option is 8 determined by using information throughout the entire 9 period. 10 Q. I'm still not sure I understand because 11 all you did was repeat yourself and that's not 12 explaining. Can you explain it? 13 MR. SATTERWHITE: I'll object. I mean, 14 she's giving you the explanation that -- 15 MR. KUTIK: No. She's used the exact 16 same words. That's not an explanation. 17 MR. SATTERWHITE: Right. 18 Q. Can you explain it? 19 A. I believe I just did explain it. 20 Q. Well, you didn't. Can you explain it 21 without using the same words? Can you explain it in 22 different words other than what's in your testimony 23 and what you've just said? 24 A. What I just explained is how the model</p>	<p style="text-align: right;">Page 156</p> <p>1 A. They can either leave or they can stay. 2 They can make one or the other. 3 Q. Are there any other choices? 4 A. And that information in a given month, 5 based on what the prices are, that information is 6 basically brought back to a prior month to be part of 7 the choices that a customer has in the prior month to 8 be considered in terms of do I leave this month or do 9 I leave next month, taking into account that if the 10 customer leaves and then subsequently comes back, 11 that there are switching rules or constraints. 12 And that process is repeated month by 13 month moving all the way back through the ESP period 14 to determine the least cost where you had that 15 knowledge of what prices are doing throughout the 16 period and what switching limitations may come into 17 play in order to determine the least cost. 18 Q. Are you assuming that customers would 19 have information about what prices would be in the 20 future? 21 A. The model works to -- the model assumes 22 that price will move and those prices are basically 23 probability weighted in, you know, I mean a customer 24 will never perfectly know what prices are, but the</p>

<p style="text-align: right;">Page 157</p> <p>1 model looks at those distribution of prices based 2 upon the price movements and the volatility 3 throughout the period. 4 MR. KUTIK: Can you read the question. 5 Q. And could you answer it, please. 6 (Record read.) 7 THE WITNESS: Could you please read my 8 answer. 9 (Record read.) 10 Q. Can you answer my question? 11 MR. SATTERWHITE: I think she did. 12 A. I did. 13 Q. You didn't. It's a "yes" or "no" answer. 14 Can you answer "yes" or "no"? 15 A. I believe I said that a customer will 16 never perfectly know what prices are. 17 Q. Okay. Are you assuming, though, that 18 customers have some information about what prices 19 will be in the future? 20 A. Yes. 21 Q. And you're assuming that a customer will 22 make a decision about whatever information he or she 23 has with respect to those future prices, correct? 24 A. In order to have the least cost decision.</p>	<p style="text-align: right;">Page 159</p> <p>1 under fixed prices and variable prices? 2 A. I don't have specific knowledge, but that 3 would seem to be reasonable options that customers 4 might be looking for. 5 Q. You would expect that that would be, 6 those would be two of the options that customers 7 might have. 8 A. Sure. 9 Q. Would it be also fair to say that you 10 would expect that some of the options that the 11 customers might have with respect to CRES providers 12 and the contracts provided by CRES providers would be 13 that the contract would be a term for a specific -- 14 have a term for a specific time versus a contract 15 that might exist on a month-to-month basis? 16 A. Customers might have those kinds of 17 things, but the company has no way of knowing. 18 Q. Right. But that would be a reasonable 19 thing for you to assume. 20 A. That there would be different terms and 21 different types of contracts, yes. 22 Q. And does the Black model or the 23 constrained Black model consider those different 24 types of contracts and how they might affect</p>
<p style="text-align: right;">Page 158</p> <p>1 Q. Okay. And so when you say that the 2 choices or the information is being brought back to 3 the prior month, what you're assuming is that -- or 4 what you're saying is that the customer, with respect 5 to what he may or may not know about future prices, 6 will make a decision, correct? 7 A. Yes. 8 Q. Now, would it be correct to say that a 9 customer who is looking at potentially shopping can 10 be solicited to enter into a variety of different 11 types of contracts? Correct? 12 A. I would assume that's the case. 13 Q. Are you aware of the different types of 14 contracts that CRES providers offer to customers in 15 AEP-Ohio's territory? 16 A. Not other than -- yes, I've seen some 17 residential contracts, but in terms of what all the 18 different suppliers are offering to customers, no. 19 Q. Do you have some understanding of the 20 different types of contracts that CRES providers are 21 offering to customers in AEP-Ohio's territory? 22 A. Just very generally. 23 Q. Are you aware of whether customers are 24 given an option to take service from CRES providers</p>	<p style="text-align: right;">Page 160</p> <p>1 customers? 2 A. No, because the company has no way of 3 knowing what customers and what types of contracts, 4 those are arrangements between a customer and 5 supplier. 6 Q. So the answer is "no." 7 A. That's what I said. 8 Q. Okay. Does the Black model also assume 9 that there will be a fixed date for the exercise of 10 the option? 11 A. The model assumes it's a series of 12 monthly options that the customer can exercise in 13 terms of shopping or not shopping. 14 Q. So what we're talking about is a monthly 15 option. 16 A. Yes. The customer has the choice to 17 switch monthly subject to the switching constraints. 18 Q. Now, do you know, have you ever heard the 19 term, I think you have, "European options"? 20 A. Yes, I've heard the term. 21 Q. Do you know what it means now? 22 A. Yes. 23 Q. What does it mean? 24 A. It's an option that can be exercised at</p>

<p style="text-align: right;">Page 161</p> <p>1 the end of the term.</p> <p>2 Q. And is there something called the</p> <p>3 American option?</p> <p>4 A. Yes.</p> <p>5 Q. What's the American option?</p> <p>6 A. The American option is something that can</p> <p>7 be exercised at any time during the term.</p> <p>8 Q. And which does the Black model model, if</p> <p>9 either?</p> <p>10 A. It uses a European option because the</p> <p>11 customer can choose each month, and there's no</p> <p>12 ability to choose within a month, but the customer</p> <p>13 can choose each month whether to switch or not.</p> <p>14 Q. Now, am I correct to understand that you</p> <p>15 did not personally develop the constrained model?</p> <p>16 A. I did not do the programming and</p> <p>17 everything for that, no.</p> <p>18 Q. That was something that the risk -- the</p> <p>19 Market Risk Analytics group did?</p> <p>20 A. Yes.</p> <p>21 Q. The constrained Black model or the Black</p> <p>22 model also assumes or uses a value for volatility,</p> <p>23 correct?</p> <p>24 A. That's correct.</p>	<p style="text-align: right;">Page 163</p> <p>1 A. Yes.</p> <p>2 Q. Does everything else vary with the</p> <p>3 wholesale market price?</p> <p>4 A. Some of the components vary with the</p> <p>5 simple swap and others vary on other bases.</p> <p>6 Q. What components of the competitive</p> <p>7 benchmark price do not vary with the simple swap?</p> <p>8 A. I would say capacity, the ancillary</p> <p>9 services, the alternative energy requirement, the ARR</p> <p>10 credit.</p> <p>11 Q. How about D and T losses?</p> <p>12 A. The losses are a function of the price.</p> <p>13 Q. Okay. Same for load shaping and load</p> <p>14 following?</p> <p>15 A. Yes.</p> <p>16 Q. And adjustments for the fact that you're</p> <p>17 trying to price AEP -- into the AEP load zone?</p> <p>18 A. Yes.</p> <p>19 Q. Now, has the constrained model been</p> <p>20 provided to any party in this case?</p> <p>21 A. Yes.</p> <p>22 Q. Who has it been provided to?</p> <p>23 A. The Consumers' Counsel.</p> <p>24 MR. KUTIK: Let's mark this as the next</p>
<p style="text-align: right;">Page 162</p> <p>1 Q. And the volatility that you're seeking to</p> <p>2 determine or input is the volatility of the</p> <p>3 competitive benchmark price, correct?</p> <p>4 A. Yes.</p> <p>5 Q. And for that you used the wholesale</p> <p>6 market prices going into AEP-Dayton. Did I have that</p> <p>7 right?</p> <p>8 A. Yes.</p> <p>9 Q. Now, there are also a number of fixed</p> <p>10 charges that go into the competitive benchmark price,</p> <p>11 correct?</p> <p>12 A. When you say "fixed charges," could you</p> <p>13 be more specific?</p> <p>14 Q. No. Does the term "fixed charge" have no</p> <p>15 meaning?</p> <p>16 A. Well, I'm asking if you're referring</p> <p>17 to -- what components are you referring to as fixed</p> <p>18 charges?</p> <p>19 Q. Are there any components that you would</p> <p>20 refer to as fixed charges?</p> <p>21 A. The only charge that I would say is fixed</p> <p>22 for the term of the ESP is the retail administration</p> <p>23 charge.</p> <p>24 Q. Okay. Everything else is variable.</p>	<p style="text-align: right;">Page 164</p> <p>1 one, Exhibit 2.</p> <p>2 (EXHIBIT MARKED FOR IDENTIFICATION.)</p> <p>3 Q. I have shown you what has been marked as</p> <p>4 Exhibit 2. Do you recognize this as your response to</p> <p>5 OCC's discovery request, first set, request for</p> <p>6 production of documents 010?</p> <p>7 A. Yes.</p> <p>8 Q. And in this it says "Please provide a</p> <p>9 copy of the Black Scholes model used to calculate the</p> <p>10 cost of CSP and OPs POLR obligation," correct?</p> <p>11 A. Yes.</p> <p>12 Q. And it says the constrained model</p> <p>13 option -- option model used to determine the POLR,</p> <p>14 the company's POLR cost, was constructed and runs</p> <p>15 with the -- is it M-A-T-L-A-B, MATLAB?</p> <p>16 A. Yes.</p> <p>17 Q. -- software. MATLAB software, or MATLAB</p> <p>18 provides a programming and analysis environment for</p> <p>19 data intensive projects such as statistics and data</p> <p>20 analysis and computational finance projects. AEP has</p> <p>21 not created a stand-alone version of the constrained</p> <p>22 option model that can be readily exported.</p> <p>23 Did you provide a supplement to this</p> <p>24 response?</p>

<p style="text-align: right;">Page 165</p> <p>1 A. I believe the supplemental response was 2 when we did provide the coding for -- the coding and 3 the data files for use in MATLAB. 4 Q. So when you say that AEP has not created 5 a stand-alone version of the constrained option 6 model, is that not true? 7 A. We subsequently created a exportable set 8 of coding files for use in MATLAB. 9 Q. So what you would suggest would be if you 10 had the MATLAB software and we got the coding from 11 you, we could replicate your study. 12 A. Yes. 13 Q. Now, your supplemental testimony includes 14 a Exhibit 4, correct? 15 A. Yes. 16 MR. KUTIK: And before we go to that, 17 let's go off the record. 18 (Recess taken.) 19 MR. KUTIK: Let's go back on the record. 20 Q. I directed you before the break to 21 Exhibit 4 of your supplemental testimony. What 22 relationship does that exhibit bear to Exhibit 2 of 23 your direct testimony? 24 A. The difference here is that we put the</p>	<p style="text-align: right;">Page 167</p> <p>1 all. Isn't it the case that the MRO price that you 2 have here assumes the cost of the migration risk? 3 A. Well, it looked at it in terms of 4 either -- it's kind of a cross between what would be 5 for a bidder versus a CRES provider which, you know, 6 can be two different things. And I believe we 7 responded in a data request that, you know, if you're 8 looking solely from the CRES provider, you may have 9 some additional transaction costs, if you were 10 looking at it solely from a bidder, that there would 11 probably be some additional transaction risks in it, 12 and so rather than trying to adjust one thing out and 13 substitute POLR we just left that alone and just 14 added POLR to the ESP side. 15 Q. I guess my question, which I'm not sure 16 you've answered, is isn't it the case that your 17 transaction risk adder included migration risk and 18 the cost of it? 19 A. And I believe that I responded yes, it 20 has some of that in there, but, as I was explaining 21 about our response to the data request, I'm not sure 22 if you were looking -- it depends on from what 23 perspective you're looking at. If you're looking at 24 it from a CRES provider, you probably wouldn't make</p>
<p style="text-align: right;">Page 166</p> <p>1 POLR cost on the ESP, rolled that into the generation 2 service price, but did not add that onto the MRO side 3 of things. 4 Q. Is Exhibit 4 essentially a correction to 5 Exhibit 2? 6 A. No. I still believe that you don't need 7 to include the POLR cost in this exhibit, but if you 8 did, this would show that the MRO test is still 9 passed if you include the POLR cost on the ESP side. 10 Q. Well, it certainly -- using POLR cost 11 certainly reduces the benefit, correct? 12 A. Yes, it does reduce the benefit. I 13 believe it's a conservative estimate here. 14 Q. What do you mean by that? 15 A. The MRO price does have some transaction 16 risk in it. I believe that it probably doesn't -- 17 because of the way that that component was looked at 18 it probably does have -- may not have a hundred 19 percent of all POLR risks in addition to other risks 20 rolled into it. So rather than attempting to, you 21 know, substitute or back out anything out of the MRO 22 price, we just left the MRO price alone and that's 23 why I say it's conservative, because that wouldn't -- 24 Q. I'm not sure I understood your answer at</p>	<p style="text-align: right;">Page 168</p> <p>1 an adjustment to that risk, but you might add some 2 transaction costs into the MRO price. If you were 3 looking at it from a bidder perspective, you would 4 probably add in some additional migration risk in 5 that regard. 6 Q. So your transaction risk adder does not 7 include all of the costs of migration risk that a 8 bidder might consider; is that your testimony? 9 A. That's what I believe, yes. 10 Q. Okay. Did the pieces of information that 11 you looked at for the transaction risk adder include 12 all of the risks that the bidders were considering? 13 A. Well, it looked at those risks, but I 14 also now have some additional information that I had 15 when I filed my supplemental testimony from -- as 16 Dr. LaCasse presents in her testimony about what 17 those sort of total risk premiums would be that 18 people have included in various auctions. 19 Q. So you believe that the transaction risk 20 adder somehow does not capture all the risks that the 21 bidder would consider. 22 A. That it's possible that it doesn't 23 include all of those, and that's why I didn't make 24 any, you know, that's why I say it's conservative and</p>

<p style="text-align: right;">Page 169</p> <p>1 I didn't make an adjustment to it. I just left it 2 alone.</p> <p>3 Q. Well, when you initially were doing this, 4 you were attempting to capture all those risks, were 5 you not?</p> <p>6 A. Based on information that we had 7 available and, like I said, I now have additional 8 information available.</p> <p>9 Q. Again, at the time you thought you 10 were --</p> <p>11 A. Yeah.</p> <p>12 Q. -- trying to capture all the risks, 13 correct?</p> <p>14 A. Yes.</p> <p>15 Q. Now, directing your attention to your 16 Exhibit 4 in your supplemental testimony, the value 17 that you use for the POLR cost is \$3.07, correct?</p> <p>18 A. Yes.</p> <p>19 Q. But on the -- and that's what we'll call 20 on the MRO side of the equation, correct?</p> <p>21 A. The \$3.07 is part -- on the ESP side of 22 the equation.</p> <p>23 Q. Okay. On line 15 there's a POLR cost, 24 correct?</p>	<p style="text-align: right;">Page 171</p> <p>1 you're looking at the proposed ESP price, and it's 2 your proposed ESP price that you're comparing to this 3 MRO which is a weighted of the current ESP and the 4 market.</p> <p>5 Q. Okay. The number you use for POLR cost 6 on the MRO side is different than the number you use 7 for POLR cost on the ESP side, correct?</p> <p>8 A. Yes, because the proposed POLR charge is 9 different than the current POLR charge.</p> <p>10 Q. Okay. Now, is it your understanding that 11 as part of an MRO the POLR charge could not be 12 adjusted?</p> <p>13 A. I'm sorry. I don't know what you mean by 14 "adjusted."</p> <p>15 Q. Made different than the current charge. 16 Changed from the current charge.</p> <p>17 A. I don't understand your question.</p> <p>18 Q. Okay. You understand that part of the 19 MRO price reflects what I'll call the legacy ESP 20 price, correct?</p> <p>21 A. Yes, and that would be the generation 22 service price in line 8.</p> <p>23 Q. And part of that value includes the POLR 24 charge, correct?</p>
<p style="text-align: right;">Page 170</p> <p>1 A. Yes. That is the proposed POLR that goes 2 with the proposed ESP price.</p> <p>3 Q. So when you say it was the ESP price 4 earlier on line 5, okay, that's the ESP part of the 5 MRO price, correct?</p> <p>6 A. Right. That is the current ESP pricing 7 that gets weighted with the competitive benchmark to 8 determine the MRO annual price, yes.</p> <p>9 Q. So let's try this again. There's one 10 price you're trying to determine for the MRO, another 11 price you're trying to determine for the ESP, 12 correct? The proposed ESP.</p> <p>13 A. Yes, where the MRO is a weighted 14 average -- a weighted of the market and ESP price.</p> <p>15 Q. And the number that you use for the POLR 16 cost, for what I'll call the MRO part of the 17 equation, which would include part of the legacy ESP, 18 is different than the POLR cost that you have on the 19 ESP side of the equation to come up with the ESP 20 cost; is that fair to say?</p> <p>21 A. I guess maybe the way that I look at it 22 is that you have your current -- you basically have 23 the top part, lines 1 through 6 is really more of a 24 current ESP price, and down at the bottom in line 16</p>	<p style="text-align: right;">Page 172</p> <p>1 A. Yes.</p> <p>2 Q. Now, it is the case, is it not, that in 3 determining the weighted calculation, the blending to 4 come up with the MRO price, you can make certain 5 adjustments to your legacy ESP price? Correct?</p> <p>6 A. Certain adjustments, yes.</p> <p>7 Q. Okay. Can you make an adjustment for 8 POLR charges?</p> <p>9 A. Well, I guess it depends on, you know, do 10 you want to look at the POLR cost as part of the 11 current ESP price.</p> <p>12 Q. No. I asked you with respect to an MRO. 13 I didn't ask you anything about an ESP price, for a 14 proposed ESP price. We're talking about the MRO 15 price.</p> <p>16 If you have an MRO, you're using the 17 legacy ESP price to come up with your MRO price. Are 18 you with me so far?</p> <p>19 A. Yes.</p> <p>20 Q. Can you adjust the legacy ESP price for 21 changes in the POLR cost?</p> <p>22 A. I would say you don't adjust it at that 23 point because it's part of the POLR cost that relates 24 to those current ESP prices, so those are tied</p>

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<p>1 together. The proposed POLR cost is a function of</p> <p>2 the proposed ESP price as well as a competitive</p> <p>3 benchmark.</p> <p>4 Q. So you don't believe that it would be</p> <p>5 appropriate to make an adjustment to the POLR charge</p> <p>6 if you are calculating an MRO price, correct?</p> <p>7 A. If I am calculating an MRO that is a</p> <p>8 weighted average of the generation price and the</p> <p>9 competitive benchmark, no, it would not be</p> <p>10 appropriate to adjust it at that point.</p> <p>11 Q. Is it appropriate to adjust it at any</p> <p>12 point?</p> <p>13 A. We have, basically have a proposed POLR</p> <p>14 charge --</p> <p>15 Q. I'm talking about an MRO price.</p> <p>16 A. Not for the purposes of how the MRO price</p> <p>17 is determined for this test.</p> <p>18 Q. Okay.</p> <p>19 A. I don't believe you adjust that.</p> <p>20 Q. So if you had an MRO, let's say you</p> <p>21 hadn't filed an ESP but you had filed an MRO, there</p> <p>22 would be no way to adjust the POLR charge.</p> <p>23 A. No. I don't agree with that.</p> <p>24 Q. You could adjust the POLR charge.</p>	<p>1 A. Yes. Certain adjustments.</p> <p>2 Q. And do those adjustments include</p> <p>3 adjustments to POLR costs?</p> <p>4 A. I'm still not understanding what your</p> <p>5 question really is.</p> <p>6 Q. What don't you understand?</p> <p>7 A. What you're trying to adjust or -- I'm</p> <p>8 not sure what you're asking.</p> <p>9 Q. What do you mean, what I'm trying to</p> <p>10 adjust? What were we talking about? We're talking</p> <p>11 about the POLR charge, right? Can you make an</p> <p>12 adjustment for differences in your POLR cost if</p> <p>13 you're pricing an MRO, "yes" or "no"?</p> <p>14 A. Well, what you're trying to do is</p> <p>15 circular --</p> <p>16 Q. No, it isn't.</p> <p>17 A. -- because --</p> <p>18 Q. Do you believe that you're allowed to --</p> <p>19 MR. SATTERWHITE: Let her finish. She's</p> <p>20 trying to answer. You asked her what she was not</p> <p>21 understanding of your question, she's trying to</p> <p>22 explain that now.</p> <p>23 Q. Do you believe you're allowed to make</p> <p>24 adjustments to the legacy ESP charge when you're</p>
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<p>1 A. Well, if we filed an MRO, that would be</p> <p>2 something that is totally different and it would be</p> <p>3 whatever -- what the proposed provisions of that</p> <p>4 particular MRO would be.</p> <p>5 Q. All right.</p> <p>6 A. This is a -- we're trying to do just a</p> <p>7 price comparison here.</p> <p>8 Q. Well, aren't you attempting to price what</p> <p>9 a hypothetical MRO would be?</p> <p>10 A. A 90 percent/10 percent -- what a</p> <p>11 10 percent MRO would be and a 23 percent MRO would</p> <p>12 be.</p> <p>13 Q. No. That's the total MRO price, right,</p> <p>14 on line 12?</p> <p>15 MR. SATTERWHITE: Let her finish.</p> <p>16 A. An MRO that is based on 10 percent at</p> <p>17 market in the first year.</p> <p>18 Q. Right. And my question is, when you're</p> <p>19 trying to price an MRO, okay, some of it's going to</p> <p>20 be based upon your legacy ESP, right?</p> <p>21 A. Right.</p> <p>22 Q. The statute allows you, does it not, to</p> <p>23 make adjustments to your legacy ESP when you're</p> <p>24 calculating your MRO price? Correct?</p>	<p>1 calculating an MRO?</p> <p>2 A. You should be using the current POLR cost</p> <p>3 as part of that calculation to determine the MRO</p> <p>4 price.</p> <p>5 Q. Okay.</p> <p>6 A. You should be using the current POLR</p> <p>7 cost.</p> <p>8 Q. Are you allowed to adjust those POLR cost</p> <p>9 charges at all when you're calculating an MRO price?</p> <p>10 A. If you adjusted it, I don't know what you</p> <p>11 would adjust it to.</p> <p>12 Q. To whatever the new cost that you</p> <p>13 calculate.</p> <p>14 A. But that's circular.</p> <p>15 Q. Why is it circular?</p> <p>16 A. Because the proposed POLR charge is a</p> <p>17 function of the proposed ESP rate, and you're</p> <p>18 calculating your MRO rate in order to have a</p> <p>19 benchmark for your proposed ESP price.</p> <p>20 Q. Okay. Well, so you're saying that</p> <p>21 because you have an MRO, the competitive -- well,</p> <p>22 because you have an MRO you're not changing your POLR</p> <p>23 cost.</p> <p>24 A. No. What I'm saying is, is that you</p>

<p style="text-align: right;">Page 177</p> <p>1 determine a MRO price that reflects your current POLR</p> <p>2 cost, which is what you're charging customers, and</p> <p>3 then that is the benchmark for comparing your</p> <p>4 proposed ESP price and your proposed POLR to that.</p> <p>5 Q. Okay. So you can only determine a POLR</p> <p>6 charge if you have an ESP.</p> <p>7 A. No.</p> <p>8 Q. Well, isn't that what you just said?</p> <p>9 A. No. No.</p> <p>10 Q. Review what you said, then. Why would</p> <p>11 that be wrong?</p> <p>12 A. Well, there's a difference between if</p> <p>13 you're a hundred percent in an MRO, there is a POLR</p> <p>14 charge of some kind, okay? It may be embedded in the</p> <p>15 competitive bid price, okay? So you can have a POLR</p> <p>16 charge under an MRO. You can have a POLR charge</p> <p>17 under an ESP. And this weighting reflects a POLR</p> <p>18 charge that is 90 percent that includes the POLR cost</p> <p>19 currently and 10 percent that includes a market</p> <p>20 price that includes some level of POLR cost as we</p> <p>21 discussed earlier.</p> <p>22 Q. So you could calculate a POLR charge even</p> <p>23 with a weighting of an ESP, correct? With a</p> <p>24 weighting of an MRO.</p>	<p style="text-align: right;">Page 179</p> <p>1 schedule that requires a 90-day notice, correct?</p> <p>2 A. Yes.</p> <p>3 Q. Do you know what rate schedule or</p> <p>4 schedules that is?</p> <p>5 A. My recollection is it's generally for the</p> <p>6 larger customers who have contracts like I think it's</p> <p>7 customers 500 kW and above.</p> <p>8 Q. Okay. Well, in terms of how the model</p> <p>9 works, does the model assume that all customers on</p> <p>10 that rate schedule that have that 90-day notice</p> <p>11 provide their notice as soon as the competitive</p> <p>12 benchmark price goes below the ESP price?</p> <p>13 A. No. I believe I've addressed that in my</p> <p>14 supplemental testimony. It's implicit in the model</p> <p>15 in terms of that, you know, if a customer provides a</p> <p>16 90-day notice, they are going to be looking forward</p> <p>17 in terms of what will a supplier offer them 90 days</p> <p>18 from now in order to give that notice, and because</p> <p>19 that -- otherwise, why would they give notice that a</p> <p>20 customer is looking 90 days out? And, therefore,</p> <p>21 it's implicit in the model.</p> <p>22 Q. So let's see if I can understand this.</p> <p>23 So what it assumes for those customers is that they</p> <p>24 are making -- they have some information about what</p>
<p style="text-align: right;">Page 178</p> <p>1 A. If I added additional POLR costs into the</p> <p>2 market price, then that would raise the MRO annual</p> <p>3 price.</p> <p>4 Q. Okay. In terms of a separate POLR</p> <p>5 charge, could you calculate a separate POLR charge</p> <p>6 using a blended MRO calculation?</p> <p>7 A. I guess if that was the appropriate way</p> <p>8 to calculate the POLR charge, which I don't believe</p> <p>9 is the right way to calculate the POLR charge.</p> <p>10 Q. Okay. So as far as you're concerned the</p> <p>11 right way to calculate the POLR charge is to use the</p> <p>12 legacy POLR cost, weight that in terms of the</p> <p>13 appropriate weighting for the legacy ESP, and then</p> <p>14 include in the competitive benchmark whatever the</p> <p>15 proper factor -- risk factor would be in that part of</p> <p>16 the price, correct?</p> <p>17 A. That's correct.</p> <p>18 Q. All right. Now, in terms of how the</p> <p>19 constrained model works, I want to see if I can</p> <p>20 understand this, are you aware that there are certain</p> <p>21 switching rules that require a customer to provide</p> <p>22 notice before the customer switches from AEP?</p> <p>23 A. Yes.</p> <p>24 Q. And, for example, there's one rate</p>	<p style="text-align: right;">Page 180</p> <p>1 prices might be 90 days from now and making decisions</p> <p>2 based on that.</p> <p>3 A. Well, otherwise they would not be giving</p> <p>4 the company notice of switching.</p> <p>5 Q. Okay. So it doesn't assume that as soon</p> <p>6 as the two prices change positions, so to speak, that</p> <p>7 notice is given. It's only if they have some belief</p> <p>8 that prices 90 days down the road will be in that</p> <p>9 position that they give notice.</p> <p>10 A. Right. Because a customer would be</p> <p>11 looking forward, they would be talking to their</p> <p>12 provider about what are they going to provide them in</p> <p>13 90 days so that they can give their 90-day notice,</p> <p>14 and they wouldn't be giving us 90 days' notice if</p> <p>15 they wouldn't be looking forward.</p> <p>16 Q. Doesn't that assume that all customers</p> <p>17 have the same information about what prices are going</p> <p>18 to be 90 days hence?</p> <p>19 A. Yes.</p> <p>20 Q. Are there rules that require a returning</p> <p>21 customer to stay for 12 months?</p> <p>22 A. Yes.</p> <p>23 Q. How does that factor into the constrained</p> <p>24 model?</p>

45 (Pages 177 to 180)

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<p style="text-align: right;">Page 181</p> <p>1 A. That is one of the switching rules that 2 is embedded in the model and, as I described before, 3 that because the model looks at months down the road 4 and a customer may have an option to switch or not 5 switch, and that information is brought back to 6 earlier months, so with the knowledge that if a 7 customer switches and then prices subsequently drop 8 and they come back to the company, they would have to 9 stay for 12 months, that's part of the information 10 that becomes part of a customer's decision in any 11 month. 12 Q. So it assumes that, the model assumes 13 that the customers have some information about the 14 potential for prices a year from now. 15 A. Right. It's looking at over the entire 16 29-month term and giving customers looking at the -- 17 for a kilowatt-hour, looking at the least price cost 18 per kilowatt-hour. 19 Q. So does it assume that customers have 20 some information about what prices are going to be 21 for all 29 months? 22 A. Well, because you're looking at multiple 23 price paths where prices will go up or prices will go 24 down and you're looking at all of those branches of</p>	<p style="text-align: right;">Page 183</p> <p>1 Q. Okay. 2 A. -- per kilowatt-hour. 3 Q. Now, is that information that the normal 4 customer has? 5 A. I can't speak to what specific 6 information a customer may or may not have. 7 Q. So you don't know whether customers would 8 have this kind of probabilistic analysis or model as 9 to what prices might be for each month of the 29 10 months of the ESP; fair to say? 11 A. No. It's an analysis of the cost of the 12 company's risk. 13 Q. So what I said was fair. 14 A. Sure. 15 Q. Okay. How does the model, the 16 constrained model, take account of switching fees? 17 A. There is no consideration of switching 18 fees in the model. 19 Q. Do you think switching fees or having to 20 pay switching fees would have some effect on whether 21 a customer switches? 22 A. It may or it may not have. It could, but 23 it may or may not. That would relate to the 24 individual customer.</p>
<p style="text-align: right;">Page 182</p> <p>1 the tree. And like I mentioned earlier, those are 2 weight averaged, so generally, you know, if prices 3 were to continue up every single month, that's 4 probably -- that's a very low probability of 5 occurring, but you're looking at all those branches 6 of where prices move up or down throughout the period 7 and, again, looking at the least cost, looking at 8 what those different price paths might create. 9 Q. I'm not sure you answered my question. 10 A. Okay. I thought I did. 11 Q. Well, the question is does the model 12 assume, for example, that in month 1 of the proposed 13 ESP period that the customer has information about 14 the likelihood of prices in year 29 -- in month 29? 15 A. It assumes that there's knowledge of the 16 entire distribution of what prices might be and the 17 probabilities of those prices occurring. 18 Q. All right. So that there's some 19 information that they do have and they're making 20 probabilities as to -- or, there's a distribution of 21 probabilities as to what prices might be 29 months 22 hence. 23 A. Again, so that they can determine their 24 least cost --</p>	<p style="text-align: right;">Page 184</p> <p>1 Q. Okay. 2 MR. KUTIK: Let's go off the record for a 3 second. Give me about a minute and a half. 4 MR. SATTERWHITE: Okay. 5 (Recess taken.) 6 MR. KUTIK: Let's go back on the record. 7 At this point I intend to discuss with 8 the witness a document which has been marked as 9 Restricted Access Confidential subject to the 10 protective agreement. 11 Off the record we queried everyone that 12 is currently on the phone and everyone has affirmed 13 that each of the individuals can have access to the 14 restricted access material; that we have also 15 discussed off the record, counsel for AEP and myself, 16 that copies of this document can be made as a marked 17 exhibit and submitted along with this portion of the 18 transcript, which I assume counsel would want 19 distributed pursuant to the restricted access 20 restrictions in the protective agreement; is that 21 fair. 22 MR. SATTERWHITE: Correct. And any 23 filing of the document would follow with that. And 24 from time to time if we hear people buzz in, as we</p>

<p style="text-align: right;">Page 185</p> <p>1 just did, I think we need to identify who those 2 people are and make sure we have -- under the same 3 terms since we have an open bridge. 4 MR. KUTIK: Did anyone just join us? 5 (No response.) 6 MR. KUTIK: Okay. 7 MR. SATTERWHITE: One point, because I 8 did hear a buzz, just if I may, if someone did just 9 join and thinks they just want to listen in, we're in 10 a confidential portion in case you didn't hear 11 Mr. Kutik's statement just now. We're discussing 12 confidential information, and if you're on the phone 13 and haven't signed that protective agreement, you 14 need to let us know or get off the phone right now. 15 Thanks for the indulgence. 16 (EXHIBIT MARKED FOR IDENTIFICATION.) 17 (CONFIDENTIAL PORTION EXCERPTED.) 18 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 188</p> <p>1 needed to show the current ESP rates for 2011. 2 Q. So you didn't need to show what the rates 3 would be for the entire period of the ESP. 4 A. Not for the purpose of the MRO test. 5 Q. Thank you. 6 MR. KUTIK: Let's go off the record for a 7 second. 8 (Discussion off the record.) 9 MR. KUTIK: I think that the last several 10 questions and answers can be unsealed. So I would 11 ask you to consider unsealing the question and 12 answer before -- the questions and answers before we 13 broke which started with the question -- 14 I'll have you read it. 15 (Record read.) 16 MR. KUTIK: And there are some questions 17 and answers after that, so I'm going to ask that 18 starting with that question and answer to the end 19 that we just read before we broke, that that not be 20 sealed. 21 MR. SATTERWHITE: Is that something I can 22 read? 23 MR. KUTIK: Yes. 24 MR. SATTERWHITE: To the extent it</p>
<p style="text-align: right;">Page 187</p> <p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 (OPEN RECORD.) 17 Q. Is it your view that the company was only 18 required to show the Commission what the respective 19 costs of the ESP or MRO would be for 2011? 20 A. I believe that your starting point is the 21 2011 rates for the purpose of the MRO test. 22 Q. So, again, was the only purpose to show 23 the costs as of 2011? 24 A. For the purpose of the MRO test we only</p>	<p style="text-align: right;">Page 189</p> <p>1 doesn't deal with the confidential numbers, which we 2 don't want on there, I don't think we have an issue. 3 So I think we're in agreement. 4 MR. KUTIK: Right. But I just want to 5 make sure that we're okay on the rules and perhaps at 6 a break you can look at that. 7 MR. SATTERWHITE: No problem. 8 MR. KUTIK: Let's go off the record. 9 (Discussion off the record.) 10 MR. KUTIK: That's all the questions I 11 have at this time. So we are now in the unsealed 12 portion of the deposition. 13 --- 14 EXAMINATION 15 By Mr. Stahl: 16 Q. Good afternoon, Ms. Thomas. My name is 17 David Stahl, and I'm one of the attorneys 18 representing Exelon Generation, LLC and I have some 19 questions for you, some of them will be follow-up to 20 questions you've already gotten today. I'm going to 21 try not to duplicate and I'm sure your counsel will 22 be very diligent in ensuring that I don't go over 23 ground we've already gone over. I want to try to 24 fill in a few gaps here.</p>

<p style="text-align: right;">Page 190</p> <p>1 MR. SATTERWHITE: We're done, then. 2 Q. One of the things I don't understand is 3 why you think you can use 2011 prices for purposes of 4 the MRO test when you're trying to estimate the cost 5 of the ESP. Can you explain that to me? 6 A. My recollection of the provisions of the 7 code say you start with the most recent ESP price and 8 so 2011 is the most recent ESP price. 9 Q. And, for example, for your fuel costs in 10 your ESP part of the MRO test you used those 2011 11 fuel costs for 2012, 2013, and the five months of 12 2014 covered by the ESP, correct? 13 A. That's right. 14 Q. But for purposes of your competitive 15 benchmark price you did not use 2011 energy prices, 16 did you? 17 A. I utilized market prices for 2012, '13, 18 and '14. 19 Q. Correct. Why can you use 2011 prices for 20 the ESP but 2012, '13, and '14 prices for purposes of 21 the competitive benchmark? 22 A. I believe that was consistent with the 23 way the test is laid out. 24 Q. So you think it's a statutory</p>	<p style="text-align: right;">Page 192</p> <p>1 Q. But your proposed ESP prices, as you just 2 told me, are 2011 prices, at least insofar as fuel is 3 concerned. 4 A. That's right. And if it increases, it 5 would increase on both sides. 6 Q. What do you mean, it increases on both 7 sides? 8 A. Well, if you looked at increases, which I 9 don't think was necessary, you'd have higher current 10 ESP prices and higher proposed ESP prices, you'd have 11 higher rates on both sides. 12 Q. Both sides of what? ESP and the MRO? 13 A. The current ESP which goes into the 14 weighting and the proposed ESP. 15 Q. But you're not having higher -- the 16 weighting on the ESP is only the generation service 17 price component of the MRO price; is that not 18 correct? 19 A. You use a weighting of the competitive 20 benchmark and the current ESP price. 21 Q. And in determining your competitive 22 benchmark price you used forward energy prices for 23 the period 2012 through the first five months of 24 2014; did you not?</p>
<p style="text-align: right;">Page 191</p> <p>1 requirement; is that correct? 2 A. That's my understanding is that on the 3 ESP side your benchmark is -- for the weighting is 4 your 2011, is your most current ESP. 5 Q. Do you understand the purpose of this 6 MRO-ESP comparison is to determine which price will 7 be better in the aggregate for customers through the 8 ESP period? 9 A. Yeah, the purpose of the test is to -- is 10 to look at the proposed ESP prices in addition to all 11 the other elements of the ESP in the aggregate to 12 compare to this weighting of an MRO with an ESP, 13 basically, had your ESP stayed in place. 14 Q. But you're telling me that when you're 15 making that comparison to determine what's better for 16 customers, you can ignore what you really think the 17 ESP prices are going to be, simply use the 2011 18 price? 19 MR. SATTERWHITE: Objection. Go ahead. 20 A. Well, what's incorporated is the proposed 21 ESP prices. That's what you're comparing. It's 22 the -- the determination of what you compare that to 23 is based on 2011, and then you're comparing that to 24 what your proposed ESP prices are.</p>	<p style="text-align: right;">Page 193</p> <p>1 A. That's correct. 2 Q. You did not use 2011 energy prices for 3 the competitive benchmark, did you? 4 A. No, I did not. 5 Q. But for the fuel price piece both in the 6 generation service price and in the ESP price for the 7 proposed ESP period you used 2011 prices; did you 8 not? 9 A. That's correct. 10 Q. And what you're saying is if you would 11 have used 2012, '13, and '14, it would have affected 12 both the ESP price and the generation service price. 13 Is that what you're telling me? 14 A. Yes. 15 Q. But that would have been a much smaller 16 weighting compared to the impact of using 2012 to 17 2014 prices for the competitive benchmark; would it 18 not? 19 A. No, I don't think so. 20 Q. As an analyst who's trying to come up 21 with the best answer for customers don't you believe 22 it is fair and reasonable to use, for purposes of the 23 ESP analysis, what you believe the prices are really 24 going to be during the ESP period?</p>

<p style="text-align: right;">Page 194</p> <p>1 MR. SATTERWHITE: Objection. Go ahead.</p> <p>2 A. I believe that what we've shown in the</p> <p>3 test are appropriate numbers for the ESP based on</p> <p>4 what's -- the way that the test is laid out.</p> <p>5 Q. You're not a legal expert, are you?</p> <p>6 A. No, I'm not.</p> <p>7 Q. You're not an expert here interpreting</p> <p>8 the statute, are you?</p> <p>9 A. No.</p> <p>10 Q. I don't want you to tell me what you</p> <p>11 think the statute requires. I want you to tell me</p> <p>12 what you think makes most sense from the point of</p> <p>13 view of a regulatory analyst trying to decide what,</p> <p>14 in fact, is better for the customers of AEP-Ohio</p> <p>15 throughout the ESP period.</p> <p>16 MR. SATTERWHITE: And just, you know,</p> <p>17 I'll object. Why don't you ask her the question</p> <p>18 instead of telling her what you don't want her to do.</p> <p>19 MR. STAHL: Okay.</p> <p>20 MR. SATTERWHITE: I'd appreciate that.</p> <p>21 Q. I want you to tell me don't you believe</p> <p>22 it is fair and reasonable from the point of view of</p> <p>23 customers of AEP-Ohio to use, for purposes of the MRO</p> <p>24 test, what you believe the prices and costs are</p>	<p style="text-align: right;">Page 196</p> <p>1 what you believe the actual prices and costs of power</p> <p>2 will be during that period rather than use 2011</p> <p>3 prices?</p> <p>4 MR. SATTERWHITE: Same objection. Go</p> <p>5 ahead and answer if you can.</p> <p>6 A. I think it was appropriate to use what I</p> <p>7 know using the 2011 prices as the basis for a</p> <p>8 comparison.</p> <p>9 Q. What do you mean by you think it was</p> <p>10 appropriate to do that? What made it appropriate to</p> <p>11 do that?</p> <p>12 A. These are rates and numbers that we know,</p> <p>13 are in effect, and components can go up, components</p> <p>14 can go down, and based on my understanding of what's</p> <p>15 required and I look at the rates that I know, this</p> <p>16 was -- I believe this was the appropriate way to do</p> <p>17 the test.</p> <p>18 Q. Is it still your opinion today that the</p> <p>19 ESP as proposed by AEP-Ohio is more favorable in the</p> <p>20 aggregate than an MRO?</p> <p>21 A. Yes.</p> <p>22 Q. When did that first become your position?</p> <p>23 A. As the elements of the filing came</p> <p>24 together.</p>
<p style="text-align: right;">Page 195</p> <p>1 really going to be throughout the ESP period rather</p> <p>2 than using 2011 prices?</p> <p>3 MR. SATTERWHITE: Same objection. Go</p> <p>4 ahead.</p> <p>5 A. I believe that the way that the test was</p> <p>6 performed was appropriate.</p> <p>7 Q. That's not my question. And it wasn't</p> <p>8 even close to my question because you're telling me</p> <p>9 what you believe the statute requires, aren't you? I</p> <p>10 want you to tell me instead what you believe is fair</p> <p>11 and reasonable from the perspective of the customers</p> <p>12 of AEP-Ohio in terms of what kind of test you should</p> <p>13 be doing to make sure that they do get the best price</p> <p>14 through the ESP period.</p> <p>15 MR. SATTERWHITE: I'll object to the</p> <p>16 extent you're asking her to divorce what she knows</p> <p>17 she's supposed to be doing and it seems like you're</p> <p>18 asking for some other standard which I think is</p> <p>19 inappropriate in your question.</p> <p>20 Q. Let me just ask you this question and it</p> <p>21 is don't you believe as a regulatory analyst if you</p> <p>22 are really trying to decide what is better from the</p> <p>23 standpoint of AEP-Ohio customers during the ESP</p> <p>24 period, that it is more fair and reasonable to use</p>	<p style="text-align: right;">Page 197</p> <p>1 Q. Did you rely primarily on the results of</p> <p>2 your pricing analysis in LJT-2?</p> <p>3 A. That's one component, along with all the</p> <p>4 other elements that Mr. Hamrock talks about --</p> <p>5 Q. And what are those --</p> <p>6 A. -- to look at in the aggregate.</p> <p>7 Q. In your view what are those that in</p> <p>8 addition to your pricing test make the ESP more</p> <p>9 favorable in the aggregate?</p> <p>10 A. I think there's -- I don't recall all of</p> <p>11 what Mr. Hamrock talks about in his testimony, but</p> <p>12 there are a number of different things in terms of</p> <p>13 economic development, there are things in terms of</p> <p>14 rate certainty, you know, in terms of the base price</p> <p>15 for customers. He's got a number of different</p> <p>16 things, and I don't recall them all, in his</p> <p>17 testimony.</p> <p>18 Q. In terms of rate certainty you are not</p> <p>19 going to pass through to customers 2011 fuel costs</p> <p>20 during the ESP period, and by "you" I mean AEP-Ohio,</p> <p>21 you're not going to do that, are you?</p> <p>22 A. Customers will be charged the appropriate</p> <p>23 fuel factor according to the rider during the period.</p> <p>24 Q. And they will be charged the actual fuel</p>

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<p>1 costs and whatever other costs go through the fuel 2 clause in the years 2012, 2013, and 2014, won't they? 3 A. Yes. 4 Q. They won't be charged 2011 costs, will 5 they? 6 A. No. They'll be charged according to the 7 rider. 8 Q. As you sit here today can you tell any of 9 us here what the fuel costs are going to be that will 10 be passed through the fuel adjustment clause rider to 11 AEP-Ohio customers in the ESP period? 12 A. I cannot tell you the exact number, but 13 generally over time the fuel clause is relatively 14 stable. 15 Q. Do you believe your projections for the 16 years 2012 through 2014 show that the fuel pricing 17 passed through to customers will be relatively 18 stable? 19 A. I did not do fuel projections so I can't 20 speak to that. 21 Q. Well, one of your -- one of the bases for 22 your opinion that the ESP is more favorable in the 23 aggregate is price certainty, didn't you tell me 24 that?</p>	<p>1 forecast, but I don't recall the specific numbers. 2 Q. So you don't know if those fuel costs are 3 going to be stable or not stable, do you, throughout 4 that period? 5 A. I believe they'll be relatively stable 6 throughout the period. 7 Q. I'm not asking you what you believe. I'm 8 asking you what you know from the AEP forecasts. 9 A. I didn't do the forecasts. 10 Q. Have you seen the forecasts? 11 A. It was presented to me earlier here. 12 Q. Is that the first time you've seen those 13 forecasts? 14 A. Those specific numbers, yes. 15 Q. Do those forecasts lead you to conclude 16 anything about rate stability or certainty under an 17 ESP price through the 2012-2014 period? 18 A. Nothing that would change my opinion. 19 Q. Nothing that would change your opinion? 20 When you formed your opinion about the desirability 21 of the ESP under the MRO testing, did you want to 22 consider all of the information that you had at your 23 disposal at the time? 24 A. I relied on the MRO test that I did and</p>
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<p>1 A. For the base rate. 2 Q. Well, customers pay a rate. They don't 3 just pay a base rate and then go home, they pay all 4 of the charges that you intend to pass on to them, 5 don't they? 6 A. That's correct. 7 Q. And one of the most important of those 8 charges is the fuel adjustment clause; is it not? 9 A. It is one of the components. 10 Q. All right. And so tell me how the goal 11 of price certainty and stability is advanced, in your 12 view, by the ESP since you used 2011 costs whereas 13 customer are going to be charged 2012 through 2014 14 costs. 15 A. Regarding the fuel, as I stated, fuel 16 tends to be relatively stable over time, customers 17 will be receiving a fixed base rate over the period, 18 and as opposed to, you know, going with the 19 volatility of the market, the fuel cost doesn't move 20 as much as the market moves and so it is more stable 21 than something that would be based on market. 22 Q. What do you know about AEP-Ohio's fuel 23 cost projections for the years 2012, 2013, and 2014? 24 A. I know generally that there is a</p>	<p>1 discussions with Mr. Hamrock and the things in his 2 testimony to form that opinion. 3 Q. And your pricing test as presented in 4 your initial testimony showed a benefit on average 5 throughout the ESP period of a dollar and 41 cents a 6 megawatt-hour; is that correct? 7 A. That's correct. 8 Q. And that is roughly 2.36 percent of the 9 ESP price; does that sound about right to you? 10 A. I've not computed that number. 11 Q. But if you wanted to compute that, 12 couldn't you take the dollar 41 and divide it by the 13 ESP price which is shown on your LJT-2 as \$59.82? 14 A. Yes, you could calculate that. 15 Q. And under the analysis that you did most 16 recently presented in LJT-4 the benefit drops to a 17 dollar 10 cents per megawatt-hour, correct? 18 A. Yes, that's the number shown on LJT-4. 19 Q. And do you know that that is a number 20 that represents about 1.84 percent of the total ESP 21 price during the period? 22 A. I've not calculated that. 23 Q. And it is also true, is it not, that the 24 benefit that your analyses show for the year 2012 is</p>

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<p>1 59 cents per megawatt-hour under the first iteration 2 of your test and 51 cents a megawatt-hour under the 3 second iteration of your test? Is that right? 4 A. Yes, those are the numbers shown on those 5 exhibits. 6 Q. And would you accept, subject to check, 7 that that range is about .8 percent to 1 percent of 8 the proposed ESP price? 9 A. I've not calculated that, but subject to 10 check. 11 Q. Those are pretty thin margins upon which 12 to base your opinion in this case; are they not? 13 A. Well, I think in another -- in addition 14 to that I think is also the provision that once you 15 go to an MRO, you cannot come back and so as part of 16 the -- in the aggregate I think that is something 17 else that is to be considered. 18 Q. But just in terms of whether customers 19 are likely to be better off over the period that 20 you've looked at here, a range from .8 percent to 21 about 2 percent would you agree with me, is it not, 22 is a very, very thin margin? 23 MR. SATTERWHITE: Objection. Go ahead. 24 A. While they may be, you know, small</p>	<p>1 that right? 2 A. Yeah. I've not really read it, I just 3 quickly skimmed it. 4 Q. Are you aware that there are some 5 witnesses who appeared in this case and filed 6 testimony claiming that your MRO test is wrong? 7 A. It does not surprise me that an 8 intervenor would have a different opinion. 9 Q. Have you been told specifically that 10 other witnesses in this case have filed testimony 11 claiming that your MRO test reaches the wrong 12 conclusions? 13 MR. SATTERWHITE: Objection to the extent 14 any of those conversations were with legal counsel, 15 but you can go ahead and answer otherwise. 16 A. Could you repeat the question? 17 Q. Yeah. Have you been told by anyone that 18 intervenors have filed testimony in this case 19 reaching the conclusion that your MRO test is wrong? 20 A. I believe that I have heard from others 21 who read the testimony that people had issues with 22 the MRO test. 23 Q. And not only had issues with the MRO 24 test, but concluded that, instead of a dollar 10</p>
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<p>1 numbers, there are other benefits under an ESP that 2 have to be considered in the aggregate, as 3 Mr. Hamrock has discussed. 4 Q. Well, I understand that. You've got 5 economic development, you've got rate certainty and 6 stability, you've got the point of no return with the 7 MRO. Are those the other benefits that you're 8 talking about? 9 A. Yeah. I believe there's also others that 10 are listed in Mr. Hamrock's testimony but I don't 11 recall specifically what those were. 12 Q. So you're relying really on what's in 13 Mr. Hamrock's testimony for purposes of the other 14 benefits of the ESP; is that fair? 15 A. That's correct. 16 Q. Do you know what 51 cents a megawatt-hour 17 translates to in total dollars for the year 2012? 18 A. I've not computed that. 19 Q. That's kind of a rounding error on the 20 AEP-Ohio system, isn't it? 21 MR. SATTERWHITE: Objection. 22 A. I can't agree with that. 23 Q. I think you said earlier today that you 24 skimmed the intervenors' testimony in this case; is</p>	<p>1 cents or a dollar 41 cents in savings due to an ESP, 2 in fact, the analysis should show that the benefits 3 of an MRO were between 7 and 9 dollars a 4 megawatt-hour; have you been told that? 5 A. Those specific numbers, no. 6 Q. Have you heard that other witnesses in 7 this case have reached the conclusion that a proper 8 conduct of the MRO analysis would result in a showing 9 of savings of between 700 million and a billion 10 dollars to AEP-Ohio customers? 11 A. No, I've not been told that. 12 Q. Have you been told that -- aside from 13 counsel who have you had these discussions with? 14 A. There are some folks in the Regulatory 15 department who just did a brief summary of some 16 points from the testimony. 17 Q. Have you heard the name Michael 18 Schnitzer? 19 A. I'm aware that he's a witness in this 20 case. 21 Q. Do you know who he's with? 22 A. I don't recall. I just skimmed the 23 testimony. 24 Q. Are you aware that he may be one of the</p>

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1 witnesses who has concluded that your MRO test is
2 wrong by orders of magnitude?
3 A. I don't recall the specifics of who
4 testifies to what.
5 Q. You feel you have an obligation to the
6 customers of AEP-Ohio to present a reasonable
7 position on the conduct of the MRO test?
8 A. I believe I have an obligation to present
9 an appropriate MRO test.
10 Q. Did it ever occur to you, once you heard
11 about this other intervenor testimony, to go back and
12 look at this testimony and try and understand it to
13 see if, in fact, they may have made some valid
14 points?
15 MR. SATTERWHITE: Objection. Go ahead.
16 A. I've not had an opportunity to review the
17 testimony.
18 Q. You haven't had an opportunity to review
19 the testimony.
20 A. That's correct.
21 Q. Is that what you said?
22 A. That's right.
23 Q. That testimony was filed on July 25th,
24 correct?

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1 A. I don't recall the date that it was
2 filed.
3 Q. This is now August 10th. Correct?
4 A. Today is August 10th.
5 Q. And you're telling me that you haven't
6 had the opportunity in the last 16 days to go back
7 and read a piece of testimony that reaches a
8 conclusion that is diametrically opposed to yours?
9 A. As I said, I skimmed the testimony. I've
10 not had an opportunity to read through it in detail.
11 Q. Did you skim Schnitzer's testimony?
12 A. I believe so. There's a lot of pieces of
13 testimony.
14 Q. Was there anything in the portions of
15 Schnitzer's testimony that you skimmed that you
16 paused on and said, gee, maybe that's a valid point,
17 or maybe I ought to investigate this a little
18 further?
19 A. Not that I recall.
20 Q. Did you just reject it all as propaganda
21 from an intervenor that has no basis?
22 MR. SATTERWHITE: Objection. I don't
23 know where we're going with this, but I think she's
24 testified she skimmed it so she hasn't really made

1 any kind of judgment calls, and you're making a
2 connotation that she rejected something out of hand
3 that --
4 MR. STAHL: Well --
5 MR. KUTIK: That certainly
6 mischaracterizes her testimony, number one, so let's
7 keep the objections short. Go ahead.
8 MR. SATTERWHITE: I'm just trying to see,
9 I mean, we can go down this for four hours through
10 every single --
11 MR. STAHL: We're not going to go down
12 this --
13 MR. SATTERWHITE: Okay.
14 MR. STAHL: -- for four hours, I
15 guarantee you that.
16 Can I have the question read back.
17 (Record read.)
18 A. I haven't rejected or accepted anything.
19 I have only skimmed the testimony.
20 Q. Is it possible upon your review of that
21 testimony in detail that you might find something
22 that has merit?
23 A. I don't know. I haven't read it.
24 Q. When do you intend to read it?

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1 A. Between when these depositions are over
2 and sometime after that.
3 Q. Have you made a conscious decision not to
4 read it before this deposition?
5 A. No.
6 Q. Did somebody tell you not to read it
7 before this deposition?
8 A. No.
9 Q. You just haven't had time to do it.
10 A. That's correct.
11 Q. Okay. Do you know what company
12 Mr. Schnitzer is affiliated with?
13 A. I'm not sure who he works for.
14 Q. Have you ever heard of him before this
15 piece of testimony?
16 A. No, I haven't.
17 Q. Have you ever heard of the NorthBridge
18 Group?
19 A. I have heard of the NorthBridge Group,
20 yes.
21 Q. In fact, one of your exhibits here having
22 to do with the transaction risk adder relies on a
23 study done by the NorthBridge Group. Did you know
24 that?

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<p>1 A. Yes, I believe there's -- Dr. LaCasse, 2 it's in her testimony.</p> <p>3 Q. I don't know about Dr. LaCasse's 4 testimony, but what I'm talking about is a response 5 to a data request that you were shown earlier today 6 as part of Deposition Exhibit 1, the transaction risk 7 adder, there are seven or eight entries and one of 8 those studies was from the NorthBridge Group. Did 9 you know that?</p> <p>10 A. Yes.</p> <p>11 Q. So you belief that the NorthBridge Group 12 is a reputable organization that can be relied on to 13 provide valid opinions?</p> <p>14 MR. SATTERWHITE: Objection.</p> <p>15 A. I don't have intimate familiarity with 16 the NorthBridge Group, but I do know that it is a 17 source of information that we have used and that -- 18 in an appropriate way.</p> <p>19 Q. And have you used that information on 20 occasions other than in this data request response we 21 were looking at today?</p> <p>22 A. Dr. LaCasse relies on a Northbridge study 23 in her testimony.</p> <p>24 Q. And that was in connection with the</p>	<p>1 A. That's correct.</p> <p>2 Q. And you've also included the \$3.07 in the 3 generation service price piece of the legacy rates.</p> <p>4 A. Yes. That's the current POLR charge.</p> <p>5 Q. Of the MRO price, correct. Is that a 6 price that, in fact, has been collected from 7 customers in the 2009 through 2011 time period?</p> <p>8 A. Yes.</p> <p>9 Q. And is there some question in your mind 10 that if you apply the \$2.84 to the ESP price, that 11 somehow you may have to add that to the competitive 12 benchmark price as well?</p> <p>13 A. Well, I believe what I said was that in 14 the competitive benchmark price there is some level 15 of transaction risk and depending on if you're 16 looking from a auction bidder, there may be some 17 additional risks that would go into that. If you're 18 looking from a CRES provider, there may be some 19 transactional costs that would go into that. But I 20 did not include that in the test.</p> <p>21 Q. Well, you don't know of that transaction 22 risk adder that is already in the competitive 23 benchmark price, you don't know how much of that is 24 related to a so-called migration risk or return risk</p>
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<p>1 Illinois auction; is that correct? Do you recall?</p> <p>2 A. I don't recall which state it dealt with.</p> <p>3 Q. Okay. So you don't have the opinion or 4 the belief that Northbridge is a firm that does work 5 that inherently cannot be relied upon; are you?</p> <p>6 A. I have no such opinion.</p> <p>7 Q. Now, I think you've said that you weren't 8 sure whether the results of the study in LJT-4 should 9 be relied on, maybe I didn't hear your testimony 10 properly, because you don't believe the POLR charge 11 ought to be included. Is that what your testimony 12 was?</p> <p>13 A. I believe what I said was that the MRO 14 test as we show in Exhibit LJT-2 is the MRO test, but 15 if you were to apply and include the POLR charge, 16 that we would still pass the test.</p> <p>17 Q. And there is no doubt in your mind at 18 least, is there, that if the ESP is approved as 19 proposed, that AEP-Ohio will attempt to pass through 20 a POLR charge to its customers?</p> <p>21 A. We have proposed a POLR charge in this 22 case, yes.</p> <p>23 Q. And that's \$2.84 a megawatt-hour, 24 correct?</p>	<p>1 or whatever you want to call it that a CRES may face. 2 Am I correct in stating that?</p> <p>3 A. Right. I don't know specifically how 4 much, which is a reason I didn't make an adjustment 5 to it.</p> <p>6 Q. And likewise I think there was some 7 discussion earlier today, very much earlier today, 8 about why you didn't use the prices resulting from 9 the FirstEnergy competitive solicitations in 2010 and 10 2011 in determining your competitive benchmark. Do 11 you remember that?</p> <p>12 A. Yes.</p> <p>13 Q. And those prices, whatever they were 14 resulting from that solicitation, you would 15 understand included some element for this migration 16 or return risk that any of these suppliers would 17 face.</p> <p>18 A. Yes.</p> <p>19 Q. And you wouldn't expect to add some 20 amount onto that to account for this additional risk, 21 correct?</p> <p>22 A. Not to that specific price, no.</p> <p>23 Q. And you stated other reasons why you 24 didn't use those prices in determining the</p>

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1 competitive benchmark; do you recall that testimony?
 2 A. Yes.
 3 Q. You know there's a difference of about 26
 4 or 27 dollars a megawatt-hour between the prices
 5 resulting from that competitive solicitation and the
 6 competitive benchmark price that you calculated? Do
 7 you know that?
 8 MR. SATTERWHITE: Objection. Go ahead.
 9 A. That, from my recollection of what those
 10 FirstEnergy prices are, that sounds about right, but
 11 I'd have to go back and review it to be sure.
 12 Q. That's about a 50 percent addition to
 13 what those competitive solicitations resulted in.
 14 Does that sound about right to you?
 15 A. Yeah, it's about right, but as we've
 16 talked about, there are differences between the
 17 company and FirstEnergy.
 18 Q. I understand that. And you did describe
 19 some of those differences, but you also said that you
 20 had no way of quantifying or at least you did not
 21 quantify the dollar amount attributable to any of
 22 those differences. Didn't you say that this morning?
 23 A. For the components that we discussed,
 24 that's right.

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1 Q. In your wildest imagination those
 2 components wouldn't account for 23 or 24 dollars a
 3 megawatt-hour, would they?
 4 MR. SATTERWHITE: Objection.
 5 Q. Transmission losses, for example.
 6 A. I think when you add up all the potential
 7 differences, yes, I can believe that it would total
 8 up to be that amount.
 9 Q. Really? The big difference between the
 10 competitive benchmark price that you calculated and
 11 those, the results of those competitive
 12 solicitations, is the 348 per megawatt day that you
 13 include as a capacity component of your competitive
 14 benchmark price; isn't that correct?
 15 A. Yes, capacity is one of the differences.
 16 Q. And I think you said in your testimony
 17 that the capacity components of that price was
 18 intended to be the price that the CRES would incur.
 19 Isn't that what you testified to? I believe that's
 20 page 7 of your testimony.
 21 A. Yes.
 22 Q. And even though that may be a capacity
 23 price that your analysis uses because it's what you
 24 filed in 2929, that is not a price that any CRES

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1 would be paying you today, is it?
 2 A. They do not pay that price today. That
 3 is the -- that is what is pending before the
 4 Commission.
 5 Q. It's your hope and your wish and your
 6 dream maybe, but it's not what you are receiving from
 7 any CRES, correct?
 8 MR. SATTERWHITE: Objection. Go ahead.
 9 A. As I just said, it's not being collected
 10 today, but that is the proposed rate that we have
 11 pending before the Commission.
 12 Q. And am I right in understanding that the
 13 capacity price that at least as of today you are
 14 being authorized to collect would be the PJM RPM
 15 price?
 16 A. The interim rate under that is the RPM
 17 rate.
 18 Q. How much less than \$348 a megawatt day is
 19 that RPM rate today? Do you know?
 20 A. I don't recall what today's rate is.
 21 Q. Would you agree it's maybe 10 percent of
 22 the \$348 a megawatt day?
 23 A. I don't recall what the current rate is.
 24 Q. Do you know that if you were to redo your

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1 ESP-MRO comparison and make only one change and that
 2 is substitute the RPM rate for your \$348 a megawatt
 3 day rate, that the results of your analysis would be
 4 reversed and the ESP would not be more favorable
 5 pricewise than the MRO?
 6 A. I've not done the test on that basis.
 7 Q. That doesn't surprise you though, does
 8 it?
 9 A. I don't know what the results would be.
 10 I know that it would probably reduce the benefits of
 11 the ESP strictly from that test, but you still
 12 have -- again, you have to look at ESP in the
 13 aggregate.
 14 Q. Well, strictly from the aspect of that
 15 test, and I'm going to set aside all the economic
 16 development benefits and all of the price certainty
 17 and stability and everything else you think goes into
 18 this, I'm just looking at the price test, simply by
 19 adding a \$2.84 POLR charge to the test reduced the
 20 benefits from a dollar 41 to a dollar 10, right?
 21 A. Yes.
 22 Q. Based on what you know from that,
 23 substituting a \$38 per megawatt day capacity charge
 24 for a \$348 per megawatt day capacity charge you know

<p style="text-align: right;">Page 218</p> <p>1 would reverse the results of your comparison; do you 2 not?</p> <p>3 A. Well, it has much less impact on the test 4 than the POLR does because you're -- it's one 5 component of the competitive benchmark that has a 6 much smaller weighting.</p> <p>7 Q. I understand you haven't done the test. 8 You are not telling me, however, that my hypothesis 9 is wrong, that if you substitute that lower capacity 10 price for the higher price you're convinced the 11 results wouldn't change. You're not telling me that, 12 are you?</p> <p>13 A. No. I don't know what the numerical 14 result would be. I've not done that calculation.</p> <p>15 Q. Isn't that something you'd like to know 16 in determining whether you believe the ESP is more 17 favorable in the aggregate than the MRO?</p> <p>18 MR. SATTERWHITE: Objection. Go ahead.</p> <p>19 A. The test is done using the appropriate 20 capacity charge that is pending before the Commission 21 that we believe the Commission should approve.</p> <p>22 Q. You can file anything you want before the 23 Commission, couldn't you? It doesn't make it 24 reality. Right? What's appropriate about that?</p>	<p style="text-align: right;">Page 220</p> <p>1 planning point of view, simply to do a base case and 2 no sensitivity cases whatsoever?</p> <p>3 MR. SATTERWHITE: Objection. Go ahead.</p> <p>4 A. I think there may be some things where 5 you use sensitivity analyses and sometimes it's not 6 needed.</p> <p>7 Q. Did you conclude that it's not needed in 8 this situation?</p> <p>9 A. I concluded that the test as prepared 10 using the company's proposal for the capacity rate 11 was the right way to do the test.</p> <p>12 Q. So did you conclude that no sensitivity 13 analyses were necessary?</p> <p>14 A. I didn't see a need to do that.</p> <p>15 Q. And, in fact, just so it's clear, is it 16 your testimony that AEP-Ohio did not do any 17 sensitivity analyses around this MRO test?</p> <p>18 A. I can't speak to what other people might 19 have done. I did not.</p> <p>20 Q. Who would have done those tests had they 21 been done?</p> <p>22 A. Probably someone in the Regulatory group.</p> <p>23 Q. Is that the group you're in?</p> <p>24 A. In Regulatory Services, yes.</p>
<p style="text-align: right;">Page 219</p> <p>1 A. Well, we believe that that's the rate 2 that the Commission should approve and what we've 3 done here is consistent with that filing.</p> <p>4 Q. So you're telling me that you really 5 don't think you need to know what the results of that 6 analysis will be by substituting the RPM rate for 7 your \$348 rate to determine whether the ESP is more 8 favorable in the aggregate than an MRO? You're not 9 interested in knowing that?</p> <p>10 MR. SATTERWHITE: Objection. Go ahead.</p> <p>11 A. The company's proposal is what we have 12 filed. That is our proposal.</p> <p>13 Q. I understand that's your proposal, but 14 I'm trying to understand your thought process in 15 concluding that the ESP is more favorable in the 16 aggregate than an MRO. Have you done sensitivity 17 analyses?</p> <p>18 A. I didn't see a need to do any additional 19 analyses.</p> <p>20 Q. Does that mean you didn't do any 21 sensitivity analyses?</p> <p>22 A. I've done the MRO basis only -- the MRO 23 test on the basis that we've shown in the testimony.</p> <p>24 Q. Isn't it very unusual, from a utility</p>	<p style="text-align: right;">Page 221</p> <p>1 Q. Who in that group would have done that 2 kind of analysis?</p> <p>3 A. Bill Allen might have done some.</p> <p>4 Q. Did you ever talk to Mr. Allen about 5 whether he did any sensitivity analyses?</p> <p>6 A. No.</p> <p>7 Q. Did you ever talk to Mr. Hamrock about 8 the need to do sensitivity analyses?</p> <p>9 A. No.</p> <p>10 Q. What kind of -- would you agree with me 11 generally that utilities like AEP-Ohio do sensitivity 12 analyses when they're trying to determine the future 13 course of action?</p> <p>14 A. There are some times when it might be 15 appropriate to do sensitivity analyses and some times 16 it may not be needed.</p> <p>17 Q. And is it not needed here because you're 18 so convinced that this is the right result that 19 you're going to get your \$348 approved by whoever 20 needs to approve it and that's what the reality is 21 going to be; is that why you didn't think you had to 22 do this?</p> <p>23 A. Yes. It's consistent with the proposed 24 rate that we think the Commission should approve.</p>

<p style="text-align: right;">Page 222</p> <p>1 Q. In your career in the Regulatory Services 2 department of AEP or AEP-Ohio on how many occasions 3 have you done sensitivity analyses? 4 A. I have no idea. 5 Q. What kind of matters do you ordinarily do 6 a sensitivity analysis for? 7 A. Well, previously in the Regulatory group 8 I did cost of service which we did not do sensitivity 9 analyses on the cost of service. 10 Q. When you're planning to put in a new 11 generating facility, don't you do sensitivity 12 analyses? If we're wrong on this parameter, this is 13 what the outcome will be. If we're 5 percent wrong 14 on this parameter, here's what the outcome will be. 15 Isn't that standard operating procedure? 16 A. That's an analysis some people might do. 17 Q. You know it's done within AEP-Ohio, don't 18 you? 19 A. I believe somebody would do that 20 analysis. 21 Q. And those are for investments that would 22 have a much smaller impact on customers than approval 23 of this ESP; wouldn't you agree with that? 24 MR. SATTERWHITE: Objection. Go ahead.</p>	<p style="text-align: right;">Page 224</p> <p>1 Q. Have you looked at more recent energy 2 pricing data than that that you used in connection 3 with your competitive benchmark price? 4 A. No, I have not. 5 Q. If someone were to assert that the 6 forward energy price average that you used for 7 purposes of your CBP analysis is almost \$4 a 8 megawatt-hour higher than prices at the time of the 9 AEP filing, would you have any basis to disagree with 10 that? 11 A. It wouldn't surprise me if it was, you 12 know, could be higher, could be lower than what it 13 was at the time that we did the analysis. 14 Q. So the answer to my question is no, you 15 would have no basis to disagree with that assertion, 16 correct? 17 A. I would need to look at the prices and 18 the basis for those prices. 19 Q. But as you sit here you have not done so, 20 correct? 21 A. That's correct. 22 Q. The retail administration charge, that's 23 also a piece of your competitive benchmark price that 24 you calculated; is that correct?</p>
<p style="text-align: right;">Page 223</p> <p>1 A. It may or may not. 2 Q. Have you ever heard of the concept in 3 connection with this case and with your MRO test in 4 particular of a maximum above market capacity price? 5 A. No. 6 Q. When you use the forward pricing data for 7 purposes of competitive benchmark calculations, why 8 did you go all the way back to the first quarter of 9 January of 2010 -- go back to the first quarter of 10 2010? 11 A. Just to get a, to not predetermine what 12 those prices would be, but to look at, you know, what 13 the forward prices were at various points in time so 14 that we weren't, you know, predetermining by picking 15 just one day or two days or just at one point in 16 time, but to look at something over a little longer 17 period of time. 18 Q. When you supplemented your testimony in 19 July of this year, did you ever consider going back 20 and using forward pricing projections from 2011 in 21 your analysis instead of what you did use? 22 A. No. The supplemental testimony was 23 strictly for the purposes of POLR as a result of the 24 remand case.</p>	<p style="text-align: right;">Page 225</p> <p>1 A. Yes. 2 Q. And there was some questioning about 3 whether to use a percentage or a flat-rate; is that 4 correct? 5 A. I believe I had that question earlier. 6 Q. Yeah. And do you still have that Exhibit 7 No. 1 in front of you there? 8 A. Yes. 9 Q. You used for your retail administration 10 fee \$5 a megawatt-hour consistently throughout the 11 period; did you not? 12 A. Yes. 13 Q. And of all of the information that is 14 shown on here the only price that is \$5 or more is 15 the \$6 a megawatt-hour resulting from the PEPCO 16 proceeding; is that correct? 17 A. Looking at the specific numbers that are 18 on here, yes. 19 Q. And there's also a \$3 megawatt-hour 20 charge that is shown for FirstEnergy and Penn Power; 21 is that correct? 22 A. Yes. 23 Q. And you don't know what is in that \$6 a 24 megawatt-hour charge, do you?</p>

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<p>1 A. No. This is based on what was publicly 2 available. 3 Q. And for the two Ohio cases that are on 4 here, there's a 4 percent and a 4.8 percent of the 5 total price. Do you see that? 6 A. Yes. 7 Q. And by "total price" what do you 8 understand that to mean? 9 A. The generation price. 10 Q. Just the generation price? 11 A. Yes. 12 Q. For purposes of your analysis that would 13 be, say, 4.8 -- 4.8 percent of what price? 14 A. Of the other generation related 15 components. 16 Q. Would it be, in other words, everything 17 in your competitive benchmark price less the \$5 per 18 megawatt-hour? 19 A. Yeah. 20 Q. So it would be 4.8 percent of \$75.83? 21 A. I'm not sure where you're getting your 22 \$75 number. 23 Q. Well, I get that from the competitive 24 benchmark price that you calculated of \$80.83,</p>	<p>1 the prior case and saw no reason to change it, 2 thought \$5 would still be appropriate going into -- 3 knowing that the rates would not go into effect until 4 2012. 5 Q. Well, a percentage is a percentage no 6 matter what the rates are, it's not going to be 7 affected by what the rates are or when they go into 8 effect, is it? It's 4 percent of a bigger number or 9 4 percent of a smaller number. I mean, that time 10 that -- the time element is taken care of by the fact 11 that you're using a percent, are you not? 12 A. A percent would be a different way of 13 doing that. 14 Q. That's the way it was done in these two 15 Duke Energy-Ohio cases, correct? 16 A. I don't recall which came first, the 17 percentage or the specific dollar amount. 18 Q. Well, a specific dollar amount is even, 19 less. It's \$2.81 a megawatt-hour, correct? 20 A. Right. I don't recall which one came 21 first. 22 Q. So the judgment is really the fact that 23 it was -- somehow it was accepted by the Commission 24 in the last case, that's the judgment call here that</p>
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<p>1 correct? 2 A. Okay. You're looking at the weighted 3 average for the period; is that correct? 4 Q. Yeah. Correct. 5 A. Okay. Yes, so it would be about, yeah, 6 \$75 or so. 7 Q. Okay. And we could do the math and 8 figure out the 4 percent or 4.8 percent of \$75.83 is 9 between \$3 and \$3.64 a megawatt-hour. Could we not 10 do that? 11 A. Sure. 12 Q. That's much less than \$5, isn't it? 13 A. It was judgmental. 14 Q. It's judgmental, but it's also less than 15 \$5 a megawatt-hour, isn't it? 16 A. Yes. 17 Q. And what was judgmental? What judgment 18 did you bring to bear in deciding you're going to use 19 \$5 instead of \$3 which was used in a Duke Energy-Ohio 20 case apparently? 21 A. Yeah, just looking at, you know, these, 22 you know, knowing that our rates would not go into 23 effect until 2012, I believe that there was also 24 \$5 in the prior case that was generally accepted in</p>	<p>1 you made. We got it in the last case, we'll get it 2 here. 3 MR. SATTERWHITE: Objection. Go ahead. 4 A. No, that's not what I said. I said 5 that plus looking at this information, knowing that 6 the rates would not go in -- that we were looking at 7 rates in effect in 2012, thought that was a 8 reasonable amount. 9 Q. When do these Duke Energy-Ohio rates go 10 into effect, do you know? 11 A. I don't recall. 12 Q. You don't know if it was 2012, 2011, you 13 just don't know, huh? 14 A. I don't recall. 15 Q. You don't recall. Did you ever know? 16 A. I believe I did, but I don't recall the 17 details there. 18 Q. If you knew, how did you learn that? 19 A. By looking at, you know, where this 20 information came from. 21 Q. Where did it come from? 22 A. Various filings or public information. 23 Q. Did you read those yourself? 24 A. I did go back and look at some of that</p>

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<p>1 information. I don't recall exactly what I looked 2 at.</p> <p>3 Q. Why is it on the various riders that 4 you're proposing, I keep saying "you," I mean 5 AEP-Ohio obviously, but of all those various riders 6 that are being proposed why is AEP-Ohio proposing 7 rider recovery instead of simply a fixed allowance to 8 cover the costs that it intends to or hopes to 9 recover through the riders?</p> <p>10 MR. SATTERWHITE: Objection. Go ahead.</p> <p>11 A. I can't answer that in general for all 12 riders.</p> <p>13 Q. Well, it's --</p> <p>14 A. Are you talking about a specific rider?</p> <p>15 Q. No. I'm talking about the riders that 16 AEP-Ohio is proposing here. Tell me the reason, if 17 you know, why those riders are being proposed to 18 recover these costs instead of some sort of fixed 19 allowance.</p> <p>20 MR. SATTERWHITE: Objection. Go ahead.</p> <p>21 A. I can only speak to certain riders and 22 for those riders the reason is is that we're not able 23 to predict what those specific costs would be and, 24 therefore, we're proposing that we have recovery of</p>	<p>1 certainty would be better served by recovering those 2 costs through a fixed allowance or a charge rather 3 than through a rider recovery?</p> <p>4 A. Not necessarily.</p> <p>5 MR. SATTERWHITE: Same objection.</p> <p>6 Q. Not necessarily. Tell me why not.</p> <p>7 A. Because you could vastly overstate what 8 the potential costs would be to customers, 9 particularly when you don't have much information 10 about what those costs would be.</p> <p>11 Q. I'm talking about the values and goals of 12 price certainty and stability. That goal is 13 certainly served better by a fixed charge, whether 14 it's too high or too low, than through a rider is it 15 not?</p> <p>16 MR. SATTERWHITE: Same objection.</p> <p>17 A. Yes, you could have a fixed rate which 18 removes the uncertainty, but it could be too much or 19 it could be too little.</p> <p>20 Q. Right. And so what AEP-Ohio is intending 21 to do here is shift the risk of these costs from its 22 shareholders to its customers; fair?</p> <p>23 MR. SATTERWHITE: Objection. Go ahead.</p> <p>24 A. No. I think we're looking to recover no</p>
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<p>1 actual costs after the fact, after those costs have 2 been incurred, and then those costs are filed with 3 the Commission for recovery.</p> <p>4 Q. The costs are unpredictable, is that what 5 you're saying?</p> <p>6 A. That's right.</p> <p>7 Q. They're volatile. Correct?</p> <p>8 A. We have no way of knowing what they might 9 be.</p> <p>10 Q. They're uncertain.</p> <p>11 A. For some riders. Like I said, I can't 12 speak to all riders.</p> <p>13 Q. Wouldn't you agree that the goal and 14 value of price stability and certainty would be 15 better accomplished by recovering those costs through 16 a fixed allowance or a fixed charge as opposed to a 17 rider covering 29 months?</p> <p>18 MR. SATTERWHITE: Objection. Go ahead.</p> <p>19 A. That would be a different methodology. 20 That's not what we proposed.</p> <p>21 Q. No, I know it's a different methodology 22 and I know it's not what you proposed, I'm well aware 23 of that, my question, however, is don't you believe 24 that the goal or value of price stability and</p>	<p>1 more/no less than our actual cost from customers in 2 those various riders.</p> <p>3 Q. And you're doing it from the riders -- 4 through the riders because of the uncertainty and 5 unpredictability of those costs, isn't that what you 6 just told me?</p> <p>7 A. Yes. And we're doing it so that we can 8 recover no more or no less than our costs from 9 customers in that regard.</p> <p>10 Q. Now, I was a little confused about the 11 state of the record on this environmental investment 12 cost rider and in particular the 90 cent per 13 megawatt-hour number. Did you include 90 cents a 14 megawatt-hour in your ESP cost?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. And did you also include 90 cents 17 a megawatt-hour in the generation service price 18 component of the MRO price?</p> <p>19 A. The 90 cents is in the ESP component that 20 gets averaged with the competitive benchmark to get 21 to the MRO price.</p> <p>22 Q. Right. And then in the ESP cost buildup 23 you also included 90 cents a megawatt-hour; am I 24 correct in that?</p>

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1 A. That --

2 Q. You've already told me how you factored

3 it in in determining the MRO price, right?

4 A. Right. And on the proposed ESP it also

5 includes the 90 cents.

6 Q. It does.

7 A. Yes.

8 Q. Okay. And I think you said you included

9 that just like you included the 2011 energy prices in

10 the ESP cost buildup because that's a 2011 existing

11 cost, correct?

12 A. With the exception for the environmental

13 we included 2011 costs even though under the current

14 rate mechanism we won't collect those costs until

15 2012.

16 Q. And the other estimate that I think you

17 were asked about earlier today is the one from Andrea

18 Moore's testimony, I think you were shown Exhibit

19 AEM-1, that estimate for 2012 is a dollar 52 cents a

20 megawatt-hour; is it not?

21 A. I don't recall what the number was.

22 Q. Do you still have that exhibit there?

23 A. I don't see a rate on this page, though.

24 I see a dollar amount.

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1 Q. Yeah, a total dollar amount. You don't

2 see the price per megawatt -- or the cost per

3 megawatt-hour?

4 A. No.

5 Q. Can I just look over your shoulder for a

6 minute?

7 A. Sure.

8 Q. Maybe it's on the next page.

9 Can I just take a look at this for a

10 second, I'll see if I can find it and spare you the

11 agony. I know I've seen it.

12 MR. SATTERWHITE: Is this a good time, we

13 can just take a break?

14 MR. STAHL: Sure. Sure. Absolutely.

15 MR. SATTERWHITE: Okay.

16 (Recess taken.)

17 Q. Ms. Thomas, I think I understand where I

18 derived the dollar 52 from. If you look at page 2 of

19 2 of this exhibit, you see the line there Metered

20 Megawatt-Hours and all the way to the right is the

21 46,136,083 number? Do you see that?

22 A. Yes.

23 Q. Then the next line down is the class

24 allocation of the EICC revenue requirement and the

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1 total to the far right is 71,204. Do you see that?

2 A. Yes.

3 Q. And I think if you divided the 71,204,000

4 by 46,136,083, you get slightly more than a dollar 52

5 cents per megawatt-hour, a dollar 52 per

6 megawatt-hour. Would you accept that subject to

7 check?

8 A. So you're talking a dollar 52 per

9 megawatt-hour that would be the total that would

10 include the 90 cents.

11 Q. It's the total allocation of the EICC

12 revenue requirement for the year 2012. And I'm

13 assuming yes, that would include the 90 cents. It's

14 the total.

15 A. Yes, it would be the total, I believe.

16 Q. Okay. And this is captioned "Estimate of

17 2012 Environmental Investment Carrying Charge Rider."

18 And you know who Andrea Moore is; do you not?

19 A. Yes.

20 Q. And you believe that this is a document

21 that the Commission can rely on; do you not?

22 A. I believe that, yes, she put that in

23 there to demonstrate how that rider would work.

24 Q. Right. And the amount then recoverable

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1 would be approximately a dollar 52 per megawatt-hour

2 for the year 2012.

3 A. That would be the rate based on this

4 estimated value.

5 Q. Yes. And I think you also testified

6 earlier this morning that it was your understanding

7 or anticipation -- let me see what I wrote down here.

8 As far as you know, the environmental compliance

9 costs in 2013 and '14 will be greater than 2012; is

10 that my correct transcription of your testimony from

11 this morning?

12 MR. SATTERWHITE: Objection. I don't

13 believe she can answer. I don't remember it that

14 way, but . . .

15 Q. Whether you said it this morning or not,

16 isn't that what you believe?

17 A. I guess I personally don't have the

18 numbers for that forecast so I can't say for sure.

19 Q. You don't have any information that

20 suggests they will be less than a dollar 52 cents a

21 megawatt-hour, do you?

22 A. No. I don't have any information either

23 way.

24 Q. And, in fact, sometime after this dollar

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1 52 estimate was compiled on or about June 6th,
 2 2011, AEP announced its plans for compliance with the
 3 proposed EPA regulations; are you familiar with that?
 4 A. Yes.
 5 Q. And do you believe or do you agree that
 6 the plan announced on or about June 9th, 2011, will
 7 result in environmental investment costs even higher
 8 than the dollar 52 cents a megawatt-hour, just based
 9 on what you know from that announcement?
 10 A. Yeah, it's my recollection that that
 11 announcement was based on certain proposed rules
 12 should they happen the way that they are proposed,
 13 but I don't recall any of the numbers or anything in
 14 that.
 15 Q. But you do believe that these will be
 16 more stringent environmental requirements resulting
 17 in higher expenditures by AEP-Ohio, correct?
 18 A. Generally more stringent environmental
 19 regulations would result in higher costs.
 20 Q. And that was the thrust of the June
 21 9th, 2011, announcement, was it not?
 22 A. Yes. So that people understand the
 23 potential impacts of those rules which are not final
 24 and could, you know, could possibly be, you know,

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1 modified significantly.
 2 Q. And just to circle back, I think you said
 3 that you used, nonetheless, despite the dollar 52
 4 cents estimate, you used 90 cents because you
 5 believed that was the appropriate application of the
 6 MRO test under the statute, correct?
 7 A. Yes.
 8 Q. Was that based on your own interpretation
 9 of the statutes, or was it based on something that
 10 you heard from someone else?
 11 A. That's my understanding, but there were
 12 also discussions with other people in the company,
 13 but that's my understanding of the statute.
 14 Q. The discussions with the other people in
 15 the company, were those also business people as
 16 opposed to attorneys, or was it both?
 17 A. Both.
 18 Q. Did everyone reach the same conclusion,
 19 as far as you know, that that was the appropriate
 20 interpretation of the test under the statute?
 21 MR. SATTERWHITE: Objection to the extent
 22 you're asking what were discussions with attorneys.
 23 Q. Yeah, don't tell me what your attorney
 24 said.

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1 A. To my knowledge, no one had an issue
 2 with -- no one else had an issue.
 3 Q. There was no dissent from that view as
 4 far as you're aware?
 5 A. Not to my recollection, no.
 6 Q. By the way, this 46,136,000
 7 megawatt-hours, is that your understanding of
 8 projected megawatt-hour usage on the AEP-Ohio system
 9 for 2012?
 10 A. I believe that's the 2012, yes,
 11 megawatt-hour forecast, I believe.
 12 Q. And if you would accept the results of
 13 your analysis in LJT-2 or LJT-4, the total value of
 14 the ESP under your calculations to customers then
 15 would be about \$25 million in the year 2012, or 51
 16 cents a megawatt-hour, 58 cents a megawatt-hour?
 17 A. You would get about that if you took the
 18 ESP price benefit times those megawatt-hours, but
 19 again, you have to consider all the other elements of
 20 the ESP proposal to look at it in the aggregate.
 21 Q. What, to the best of your knowledge, is
 22 the total AEP-Ohio revenue requirement in the year
 23 2012?
 24 A. I don't know. I've not computed a

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1 revenue requirement.
 2 Q. Is it \$2 million?
 3 A. I don't know.
 4 Q. You don't know. And yes, that
 5 \$23 million, \$25 million may not include the other
 6 benefits that you identified, the economic
 7 development, the price stability, the avoidance of
 8 MRO land. Has anybody at AEP attempted to quantify
 9 the value to customers of those supposed benefits?
 10 A. Regarding the benefits that Mr. Hamrock
 11 lays out in his testimony, I believe he has numbers
 12 associated with some of those items. And I don't
 13 know about the others.
 14 Q. But is it fair to say that whatever you
 15 know about the quantification of those benefits would
 16 be set forth in Mr. Hamrock's testimony filed in this
 17 case?
 18 A. I believe so. I've not done that.
 19 Q. You're not aware of any other numbers
 20 done by anybody else that don't appear in
 21 Mr. Hamrock's testimony; is that correct?
 22 A. I don't recall whether, you know, other
 23 people provided Mr. Hamrock with those numbers or
 24 what. I don't recall.

<p style="text-align: right;">Page 242</p> <p>1 Q. Did you ever discuss those numbers with 2 Mr. Hamrock? 3 A. Which numbers are you referring to? 4 Q. Well, either the -- any of the quantified 5 benefits of the ESP calculated either by you or 6 others, did you ever discuss those with Mr. Hamrock? 7 A. We discussed in the aggregate terms, you 8 know, what those components are. I don't recall 9 specifically addressing each number of that, but we 10 talked about all the components in the aggregate. 11 Q. Did you ever discuss with Mr. Hamrock 12 that, gee, this is really a pretty small slice of our 13 company's overall revenue requirement, does this 14 really make any sense? Did you ever have that 15 discussion with Mr. Hamrock? 16 MR. SATTERWHITE: Objection. 17 A. No, I did not. 18 Q. He never expressed that kind of 19 skepticism to you as far as you know? 20 A. Not to me. 21 Q. Now, I think you said that the -- with 22 respect to the facility closure cost rider I think 23 it's your testimony that the potential costs that 24 would flow through that rider have not been</p>	<p style="text-align: right;">Page 244</p> <p>1 what those potential costs might be going through the 2 rider, doesn't that cut against the supposed benefit 3 of price stability and price certainty? 4 A. I would say no because, you know, there's 5 a limited number of units that this could potentially 6 apply to in the 29-month period and, as we discussed 7 earlier, like for Conesville 3, that there are some 8 potential closure costs depending upon what the rules 9 come out to be, but we're not able to determine that. 10 So I think given that there's a limited number of 11 units that could potentially fall under that and the 12 fact that those actual costs would be recovered on a 13 year-by-year based on what is actually spent in that 14 year. 15 So, you know, there would be nothing in 16 2012, given that Conesville 3 won't retire until the 17 end of 2012, and then if there are units retired at 18 the end of '14, those costs wouldn't be recovered 19 until later on. 20 Q. Well, if there's just a limited number of 21 units that might be affected by this, so why don't 22 you just put a fixed price allowance in there and let 23 your shareholders bear the risk instead of the 24 customers?</p>
<p style="text-align: right;">Page 243</p> <p>1 quantified; is that what you testified to? 2 A. Yes. 3 Q. And is there a range of potential costs 4 that could flow through that rider during the ESP 5 period? 6 A. We've not quantified that because we 7 don't know what the impacts will be of some of these 8 rules, what they might be, and so we did not 9 quantify. 10 Q. Is it the understanding of you and others 11 at AEP-Ohio that there will be some impact during the 12 ESP period as a result of facility closure costs and 13 passing costs through the rider but you just don't 14 know what it is? 15 A. There may or may not be. Again, it 16 depends on what various rules come out and so there 17 may or may not be additional costs that would go 18 through the rider, that's why the rider is proposed 19 to recover actual costs after they've been spent. 20 Q. Has anybody calculated what the potential 21 upper bound of those costs might be during the ESP 22 period? 23 A. No. We have no way of knowing that. 24 Q. The fact that you have no way of knowing</p>	<p style="text-align: right;">Page 245</p> <p>1 A. Well, as we discussed before, that the 2 proposal is to charge -- is to flow through the rider 3 the actual costs that are spent, not an estimate that 4 may be too high or too low. 5 Q. Does the -- with respect to the 6 Mountaineer project, is it presently AEP-Ohio's 7 intent to recover through that rider the costs of the 8 FEED study? 9 A. I believe that's the case, but that's 10 outside my testimony. 11 Q. You didn't include the costs of that 12 study in your ESP price buildup, did you? 13 A. No, I do not. 14 Q. Do you know what the per megawatt-hour 15 cost might be for that study? 16 A. I don't know. 17 Q. Who is the witness we ought to ask about 18 the company's intent with respect to recovering any 19 of the Mountaineer related costs? 20 A. That would be Phil Nelson. 21 Q. All right. And is it also the case that 22 we should be asking Mr. Nelson about the company's 23 intent with respect to cost recovery of the Turning 24 Point project?</p>

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<p>1 A. Yes.</p> <p>2 Q. And you have not included any of the</p> <p>3 costs related to the Turning Point project in your</p> <p>4 ESP cost buildup, have you?</p> <p>5 A. No.</p> <p>6 Q. Given the fact that the savings for 2012</p> <p>7 are in the vicinity of dimes per megawatt-hour, how</p> <p>8 can you say that the ESP is better in the aggregate</p> <p>9 without knowing whether the costs of Mountaineer and</p> <p>10 Turning Point are going through that rider or those</p> <p>11 riders?</p> <p>12 A. The company has proposed those riders to</p> <p>13 be nonbypassable.</p> <p>14 Q. Well, I understand.</p> <p>15 A. And, therefore, they would exist whether</p> <p>16 you would be in an ESP or an MRO.</p> <p>17 Q. Are you saying that in an MRO competitive</p> <p>18 suppliers of electricity would be passing through</p> <p>19 costs of the Mountaineer project or the Turning Point</p> <p>20 project?</p> <p>21 A. On the MRO pricing side of the test,</p> <p>22 which is, you know, 10 percent of competitive</p> <p>23 benchmark, it's not in the 10 percent, but you would</p> <p>24 still have that rider until you -- potentially until</p>	<p>1 A. We've not included those in the</p> <p>2 competitive benchmark test.</p> <p>3 Q. But if you're going to include them in</p> <p>4 the ESP, is it your testimony you'll have to include</p> <p>5 them in the competitive benchmark price as well?</p> <p>6 A. No. We've not included that in either</p> <p>7 for the purpose of the test because the rider would</p> <p>8 exist regardless.</p> <p>9 Q. And is that your interpretation of the</p> <p>10 statute?</p> <p>11 MR. SATTERWHITE: Objection.</p> <p>12 Q. Is that a statutory requirement?</p> <p>13 A. That's the company's proposal in this</p> <p>14 case based on the company's understanding of what we</p> <p>15 can do.</p> <p>16 Q. So when you presented the MRO price here,</p> <p>17 you have your generation service price and you have</p> <p>18 your competitive benchmark price, and are you saying</p> <p>19 that if there is an MRO in addition to all of that,</p> <p>20 you'll have a bunch of riders that are going to allow</p> <p>21 you to pass through other costs as well to customers?</p> <p>22 A. Yes. During the period of -- during the</p> <p>23 ESP period that the company proposed.</p> <p>24 Q. And I think you said you are not the</p>
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<p>1 you get to a hundred percent MRO. The first year is</p> <p>2 only 90/10.</p> <p>3 Q. You don't get the rider, you get the</p> <p>4 legacy rate as part of your MRO price, don't you?</p> <p>5 A. But the company has proposed a</p> <p>6 nonbypassable rider that would exist regardless of</p> <p>7 whether or not we were in an MRO or in an ESP.</p> <p>8 Q. Are you telling me that if you're in an</p> <p>9 MRO, you're going to have a rider that's going to</p> <p>10 recover costs from customers?</p> <p>11 A. Well, if we're in an MRO in the first</p> <p>12 year it's 10 percent MRO and 90 percent ESP, and in</p> <p>13 that situation you would still have that rider that</p> <p>14 would recover those costs as a nonbypassable rider.</p> <p>15 Q. In an MRO. In an MRO regime you're going</p> <p>16 to have riders recovering costs from customers; is</p> <p>17 that what you're telling me?</p> <p>18 A. Yes, because an MRO regime does not start</p> <p>19 out at a hundred percent MRO. It starts out at</p> <p>20 10 percent MRO. And under that regime you would</p> <p>21 still have the rider.</p> <p>22 Q. And so are these costs that would be</p> <p>23 included in your competitive benchmark price too when</p> <p>24 you're doing the MRO pricing test?</p>	<p>1 person to discuss the pool termination or</p> <p>2 modification rider; is that correct?</p> <p>3 A. That's correct.</p> <p>4 Q. Is that also Mr. Nelson?</p> <p>5 A. Yes.</p> <p>6 Q. Do you know whether the company has made</p> <p>7 any estimate of costs that might pass through that</p> <p>8 rider?</p> <p>9 A. I don't know.</p> <p>10 Q. Has the company, maybe you don't know</p> <p>11 this, has the company submitted a tariff as part of</p> <p>12 this proceeding that sets forth the terms and</p> <p>13 conditions of the pool termination and modification</p> <p>14 rider?</p> <p>15 A. I don't recall whether there's a tariff</p> <p>16 or whether it's just discussed by Mr. Nelson. I</p> <p>17 don't recall.</p> <p>18 MR. STAHL: Can I just take a minute.</p> <p>19 (Recess taken.)</p> <p>20 MR. STAHL: Back on the record.</p> <p>21 Q. Ms. Thomas, I just have one or two</p> <p>22 additional questions to ask you really unrelated to</p> <p>23 anything that we've talked about here so far. A</p> <p>24 question came up on certain information that you gave</p>

<p style="text-align: right;">Page 250</p> <p>1 to Mr. Roush for purposes of his testimony, I think</p> <p>2 in particular with relationship to rate design. Did</p> <p>3 you provide him some market pricing data that he used</p> <p>4 in devising rate design?</p> <p>5 A. No, I did not.</p> <p>6 Q. You did not.</p> <p>7 A. No.</p> <p>8 Q. Did you provide him any market pricing</p> <p>9 data at all regardless of the purpose for which he</p> <p>10 used it?</p> <p>11 A. No.</p> <p>12 Q. No. Did you provide him anything for</p> <p>13 purposes of any of the work he did in connection with</p> <p>14 this case?</p> <p>15 A. I provided him with numbers like for the</p> <p>16 POLR rider, I provided him, you know, certain numbers</p> <p>17 that he then utilized in the tariffs and everything</p> <p>18 that he testifies to. I don't recall anything else.</p> <p>19 Q. Did you provide market pricing data to</p> <p>20 anybody in connection with this case?</p> <p>21 A. No. The market pricing data that I used</p> <p>22 was developed under my direction and I believe</p> <p>23 Mr. Roush used a similar methodology under his</p> <p>24 direction to get data that he utilized.</p>	<p style="text-align: right;">Page 252</p> <p style="text-align: center;">EXAMINATION</p> <p>1 By Mr. Yurick:</p> <p>2 Q. And I won't keep you too long, ma'am. I</p> <p>3 promise. Ms. Thomas, my name is Mark Yurick. I'm</p> <p>4 with the law firm of Chester, Willcox & Saxbe, and we</p> <p>5 represent The Kroger Company in these proceedings.</p> <p>6 I'm going to ask you a few questions.</p> <p>7 I'll try to be clear, and I don't think I have a lot,</p> <p>8 but if you don't understand my question, would you</p> <p>9 please indicate to me that you don't and I'll try to</p> <p>10 rephrase or explain?</p> <p>11 A. Okay.</p> <p>12 Q. Also, just as you've been doing, try to</p> <p>13 give verbal answers because the court reporter can't</p> <p>14 take down a nod of the head or a "huh-uh" or</p> <p>15 "uh-huh." They both look the same on a transcript,</p> <p>16 okay?</p> <p>17 A. Okay.</p> <p>18 Q. Okay. Ma'am, I had a question, I want to</p> <p>19 ask you a little bit about the POLR responsibility</p> <p>20 which my understanding is POLR's an acronym for</p> <p>21 provider of last resort; is that right?</p> <p>22 A. Yes.</p> <p>23 Q. And do you have your prefiled testimony</p> <p>24</p>
<p style="text-align: right;">Page 251</p> <p>1 Q. And the market pricing data you gathered,</p> <p>2 is that the market pricing data that you refer to for</p> <p>3 purposes of preparing the competitive benchmark</p> <p>4 price?</p> <p>5 A. Yes, that's correct.</p> <p>6 Q. That's the energy data primarily and the</p> <p>7 other cost data that we've talked about, the retail</p> <p>8 administration charge and the transaction risk adder?</p> <p>9 A. Yes, the --</p> <p>10 Q. Those kinds of things?</p> <p>11 A. -- components that make up the</p> <p>12 competitive benchmark.</p> <p>13 Q. Right. Got it. And you already</p> <p>14 testified to the sources of all of that data I</p> <p>15 believe, haven't you?</p> <p>16 A. I think so.</p> <p>17 MR. STAHL: Yeah, okay. Thank you. I</p> <p>18 have nothing further.</p> <p>19 THE WITNESS: Okay.</p> <p>20 MR. KUTIK: I believe when we were off</p> <p>21 the record Mr. Yurick, who's on the phone, indicated</p> <p>22 he had questions.</p> <p>23 MR. YURICK: Yeah, that's correct.</p> <p>24</p>	<p style="text-align: right;">Page 253</p> <p>1 in front of you by any chance?</p> <p>2 A. Yes, I do.</p> <p>3 Q. Okay. Could you look at page 21, please?</p> <p>4 MR. SATTERWHITE: Are you in the direct,</p> <p>5 Mark?</p> <p>6 MR. YURICK: Yes.</p> <p>7 A. I have that page.</p> <p>8 Q. And there's a question on the top of page</p> <p>9 21, "Please describe the company's POLR provisions</p> <p>10 for the proposed ESP that correspond with the</p> <p>11 proposed POLR valuation." Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. And the answer, I'm not going to go</p> <p>14 through it word for word, but basically you address</p> <p>15 the situation where a customer migrates off the</p> <p>16 system but agrees that if they return to the</p> <p>17 company's service, that they will pay a market-based</p> <p>18 price. Is that right?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. Now, if a customer migrates off</p> <p>21 the system but migrates back and pays a market price,</p> <p>22 the company wouldn't incur any costs, right, in that</p> <p>23 scenario?</p> <p>24 A. Well, the customer would be charged a</p>

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1 market price --
 2 Q. Correct. And the company would be paying
 3 a market price, correct?
 4 MR. SATTERWHITE: Let her finish. She
 5 was not done yet.
 6 MR. YURICK: I'm sorry.
 7 A. But there may be some differences between
 8 the price that's paid by the customer and the actual
 9 cost to the company, and the reason I say that is,
 10 you know, there are -- we have a proposed market
 11 based tariff to handle these customers and there are
 12 some differences of opinion as to what exactly that
 13 price is that the customers should pay.
 14 Q. Okay. But assuming the customer agreed
 15 to pay a market price, the market price in the tariff
 16 or the market price paid by the company, that would
 17 pretty much take care of the cost of your POLR
 18 obligation, wouldn't it?
 19 A. It would take care of the cost of the
 20 POLR obligation when the customer returned to SSO
 21 service.
 22 Q. Right.
 23 A. Before he leaves he's taking SSO service
 24 or POLR service from the company.

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1 Q. Right. Before he leaves he's taking SSO
 2 service from the company, correct?
 3 A. Yes.
 4 Q. And the costs included in the SSO price
 5 are calculated by the company and that's the topic of
 6 the rate case, correct?
 7 A. Yes, what that SSO -- what those SSO
 8 prices would be including the proposed POLR charge.
 9 Q. Well, leaving the POLR charge out, the
 10 SSO price is the cost based standard service offer
 11 price, right?
 12 A. No.
 13 Q. Okay. What, in your understanding, is
 14 the SSO price?
 15 A. The SSO price is the price that's charged
 16 to the customer. It's whatever those prices are is
 17 what -- the company has proposed those prices.
 18 Q. All I'm saying is the company determined,
 19 I'm not trying to be tricky here, the customer --
 20 MR. SATTERWHITE: Did you get all your
 21 answer out?
 22 THE WITNESS: (Witness nods head.)
 23 Q. The company determines in a rate case
 24 what the SSO price is going to be, right?

1 A. Right. The company has proposed an SSO
 2 price.
 3 Q. And that SSO price would include costs to
 4 serve that customer, correct?
 5 A. We would hope that over the course of the
 6 ESP period that our SSO prices covered our costs --
 7 Q. Correct.
 8 A. -- to serve the customer.
 9 Q. While the customer is taking the SSO
 10 service he's paying the cost of that SSO service
 11 through his tariff rate, correct?
 12 A. He's paying whatever that SSO rate is --
 13 Q. Right.
 14 A. -- in his tariff.
 15 Q. And then when he migrates off the system,
 16 he's paying whatever price he can get from a
 17 competitive retail electric supplier, correct?
 18 A. Yes. He would pay that price for
 19 anything that was bypassable.
 20 Q. Correct. And then so when that customer
 21 comes back, as long as he offers to pay a
 22 market-based rate, and as long as the company's
 23 accurately computed that market-based rate, there
 24 should be no cost to the company from that migration

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1 back.
 2 A. Right. For the return --
 3 Q. Right.
 4 A. -- to the company, as long as the
 5 customer is paying the full market rate, yes, there
 6 would be no additional cost to the company.
 7 Q. Okay. Let me ask you this, what if at
 8 the beginning -- from the beginning of the time of
 9 the ESP to the end of the time of the ESP what costs
 10 would the company have if nobody migrated off the
 11 system?
 12 A. The company has the cost of the risk of
 13 providing the POLR service.
 14 Q. Ma'am, do you have an accounting
 15 background? I know your background's mostly in math.
 16 Do you have any accounting background?
 17 A. I worked with accounting data.
 18 Q. Okay. Are you familiar with the
 19 difference between the terms "cost" and "liability"?
 20 A. Generally, yes.
 21 Q. Okay. And would you agree with me that a
 22 cost would, in an accounting sense, be noted on an
 23 income statement? Correct?
 24 A. Some costs --

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<p>1 Q. Is that right?</p> <p>2 A. Yeah, but not all costs necessarily show</p> <p>3 up --</p> <p>4 Q. Okay. But I think --</p> <p>5 A. -- in an accounting statement.</p> <p>6 MR. SATTERWHITE: Hey, Mark, you're kind</p> <p>7 of stepping on her answer. You might want to pause.</p> <p>8 Q. I'm sorry. Go ahead, ma'am. I thought</p> <p>9 you were done.</p> <p>10 A. Not all costs would necessarily show up</p> <p>11 on the company's books in terms of a certain number.</p> <p>12 Q. Okay. And the liability would show up on</p> <p>13 a balance sheet, right?</p> <p>14 A. Certain liabilities, yes.</p> <p>15 Q. And when the liability became a cost, in</p> <p>16 other words when the event upon which the liability</p> <p>17 is based actually became liquidated and became a</p> <p>18 cost, when the liability grew up and became a cost,</p> <p>19 then it would move from the balance sheet to the</p> <p>20 income statement, right?</p> <p>21 MR. SATTERWHITE: Objection. Go ahead.</p> <p>22 Q. Ma'am, let me -- do you understand the</p> <p>23 question or would you like me to rephrase?</p> <p>24 A. Well, I think we're kind of getting into</p>	<p>1 A. Well, costs would be --</p> <p>2 MR. SATTERWHITE: Objection. Go ahead.</p> <p>3 A. Costs would be included, costs that show</p> <p>4 up on your books would be included in an income</p> <p>5 statement.</p> <p>6 Q. Correct. And those costs, in order to be</p> <p>7 included on an income statement, have to be</p> <p>8 liquidated and have to be certain, correct?</p> <p>9 MR. SATTERWHITE: Objection, again. Go</p> <p>10 ahead.</p> <p>11 A. I guess in that context I'm not sure what</p> <p>12 you mean by "liquidated."</p> <p>13 Q. I mean it's a sum certain. You know what</p> <p>14 the amount is, correct?</p> <p>15 A. Okay. Could you repeat your question?</p> <p>16 Q. Sure. Okay. So a liability in -- and</p> <p>17 you said you aren't really familiar with this, but in</p> <p>18 accounting terms for purposes of my question I guess</p> <p>19 would be a contingent cost, okay, it would be the</p> <p>20 possibility of incurring a cost in the future at some</p> <p>21 point.</p> <p>22 MR. SATTERWHITE: I'll object again. I</p> <p>23 think the root of your question will provide the</p> <p>24 basis.</p>
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<p>1 the specifics of accounting and, as you noted, I am</p> <p>2 not an accountant.</p> <p>3 Q. Well, I'm not either, ma'am, but I think</p> <p>4 I'm just asking you whether or not you know. If you</p> <p>5 don't know, I'm sure, as your counsel told you</p> <p>6 before, you can just say you don't know.</p> <p>7 A. Okay. I don't know.</p> <p>8 Q. Okay. So you don't know whether in</p> <p>9 common accounting terms a liability would be a term</p> <p>10 used to refer to the possibility or a contingency of</p> <p>11 a cost. You don't know that?</p> <p>12 A. In terms of for accounting purposes --</p> <p>13 Q. Yes.</p> <p>14 A. -- I don't know.</p> <p>15 Q. Okay. And you don't understand or you</p> <p>16 don't know whether a cost would be something that is</p> <p>17 a liquidated amount that, again, would be set against</p> <p>18 a return to come up with a net income figure on an</p> <p>19 income statement; you don't know that.</p> <p>20 A. Could you repeat that?</p> <p>21 Q. Yeah. You don't know whether a cost is a</p> <p>22 liquidated amount that would be something that was</p> <p>23 actually incurred that would show up on an income</p> <p>24 statement. You're not familiar with that concept?</p>	<p>1 A. You're beyond my accounting knowledge so</p> <p>2 I don't know.</p> <p>3 Q. So the term "liability" is beyond your</p> <p>4 accounting knowledge; is that correct?</p> <p>5 A. Well, I'm just not clear on your question</p> <p>6 and how that relates to accounting. I'm just --</p> <p>7 Q. Okay. That's fair.</p> <p>8 A. I don't understand the questions.</p> <p>9 Q. That's fair, it's not really my question,</p> <p>10 so -- but that's fine. If you don't know, if you're</p> <p>11 not familiar with the term "liability" as opposed to</p> <p>12 the term "cost" in accounting, that's okay. That's</p> <p>13 your testimony, right?</p> <p>14 MR. SATTERWHITE: Objection.</p> <p>15 A. Right. I am not testifying on accounting</p> <p>16 issues in this case.</p> <p>17 Q. Okay. So let me ask you this, if, again,</p> <p>18 I think my original question was if during the term</p> <p>19 of the ESP no customers migrated from your system,</p> <p>20 you still think there would be a cost to the company.</p> <p>21 A. Yes.</p> <p>22 Q. And that cost would be incurred by the</p> <p>23 company despite the fact that the company had the</p> <p>24 same amount of customers with the same load and</p>

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<p>1 consuming the same amount of energy at the same price 2 as they did at the beginning of the ESP. 3 A. Yes, because the commitment to that SSO 4 pricing is being made at the beginning of the period 5 and that's when you need to look at what the cost of 6 the risk is. 7 Q. Yep, but at the end of the period you 8 have those -- those exact same assumptions are true 9 in my hypothetical; you understand that in my 10 question, right? 11 A. No. Could you repeat that? 12 Q. Literally my question is what your 13 testimony is, as I understand it, is that even if 14 nobody ever migrates off of AEP's standard service 15 offer price, the tariff price, at the end of the term 16 nobody migrates off, somehow the company still incurs 17 a cost. Is that your testimony? 18 A. The company incurs a cost because it 19 incurs that cost of the risk up front at the 20 beginning of the ESP period. 21 Q. And who does the company pay to hedge 22 that risk? 23 A. Well, the company can either lay that 24 risk off on a third party or it can absorb that risk.</p>	<p>1 A. Yes. 2 Q. And the company goes out and they get, 3 presumably, bids or goes through some sort of a 4 process and they obtain insurance against the risk of 5 a truck driver having an accident or something of 6 that nature, correct? 7 A. Well, the company self-insures a certain 8 amount of that risk. 9 Q. Okay. But they do have some insurance, 10 correct? And they buy that in the market, right? 11 A. We have some insurance for certain 12 things, yeah, but we do self-insure a certain amount 13 of risk. 14 Q. Let me ask you this, are you familiar 15 with the term "efficient market theory"? 16 A. No. 17 Q. So you don't know or you can't tell me 18 whether or not efficient market theory is a theory 19 that Black-Scholes relies on; is that right? 20 A. I don't know what you're specifically 21 referring to now. 22 Q. Well, what I'm specifically referring to 23 is efficient market theory. You're not familiar with 24 that term.</p>
Page 263	Page 265
<p>1 Q. Have you made any effort or has the 2 company, to your knowledge, made any effort to have 3 that risk valued by an independent third party? 4 A. You're talking about the POLR risk. 5 Q. An insurance company, Lloyd's of London, 6 an actuary, are you aware of the company making any 7 effort to have -- to find out what it would cost to 8 insure against the POLR risk that you claim the 9 company -- 10 A. Not to my knowledge in the manner you 11 suggest. 12 Q. So the company's made no effort to buy 13 insurance from any recognized insurer to protect 14 against the risk of migration. 15 A. No, we have not purchased any insurance. 16 Q. And you've approached no actuary that you 17 know of to try to find out in monetary terms what it 18 would cost to ensure against that risk, correct? 19 A. Correct. We have not done that. 20 Q. And the company does insure against some 21 sorts of risks, for example, automobiles, right? You 22 have trucks. 23 A. Yes. 24 Q. And those trucks are insured, correct?</p>	<p>1 A. No. 2 Q. And so you don't know whether efficient 3 market theory is a theory propounded by some authors 4 that suggest that the price of an option or other 5 financial instrument is automatically reflective of 6 all knowable information about that financial 7 instrument, correct? 8 MR. SATTERWHITE: Objection. Go ahead. 9 A. Yeah, I'm not familiar with that 10 specifically, no. 11 Q. And you don't know whether the 12 Black-Scholes model relies heavily on efficient 13 market theory; is that correct? 14 MR. SATTERWHITE: Objection. Go ahead. 15 A. I've not reviewed that specifically, no. 16 Q. And then I take it that you're not aware 17 that there are numerous commentators in more recent 18 times who have been extremely highly critical of both 19 the Black-Scholes model and efficient market theory 20 as a whole. You're not aware of these folks. 21 MR. SATTERWHITE: I'll just do a standing 22 objection to anything with efficient market theory so 23 I don't have to keep saying it if you keep asking 24 questions about it.</p>

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1 MR. YURICK: That's fine. You can have a
2 continuing objection.

3 Would the court reporter please note the
4 continuing objection of Mr. Satterwhite to any
5 questions --

6 MR. SATTERWHITE: To the term she has no
7 idea what it is.

8 MR. YURICK: -- to the term "efficient
9 market theory."

10 Q. So, ma'am, you're not familiar with any
11 of the authors, articles, treatises that criticize
12 both the Black-Scholes model and efficient market
13 theory; is that correct?

14 A. That's correct.

15 Q. You haven't read those articles, you
16 haven't reviewed them, you don't know whether or not
17 they exist; is that right?

18 A. That's correct.

19 MR. YURICK: I don't think I have any
20 further questions at this point. I thank you for
21 your time, ma'am.

22 THE WITNESS: Okay.

23 MR. SATTERWHITE: Thanks.

24 MR. KUTIK: Does anyone else on the phone

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1 State of Ohio :
2 : SS:

3 County of _____
4 I, Laura J. Thomas, do hereby certify that I
5 have read the foregoing transcript of my deposition
6 given on Wednesday, August 10, 2011; that together
7 with the correction page attached hereto noting
8 changes in form or substance, if any, it is true and
9 correct.

10 _____
11 Laura J. Thomas

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

19 _____
20 Notary Public

21 My commission expires _____, _____.

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1 have any questions?

2 MR. MARGARD: No, thank you.

3 MR. KUTIK: Okay.

4 MR. STAHL: Nothing here.

5 MR. KUTIK: If there are no further
6 questions, Ms. Thomas, as you may know, as part of
7 the deposition process you have a right to review the
8 transcript and maintain errors that Maria may have
9 made to the transcript, as few as those may be, and
10 you also have the ability to waive that right. At
11 this point in the deposition you need to indicate
12 whether you want to read the transcript or whether
13 you wish to waive the right.

14 MR. SATTERWHITE: She'll go ahead and
15 read.

16 MR. KUTIK: Thank you. And we're
17 completed.

18 (The deposition concluded at 5:05 p.m.)

19 ---
20
21
22
23
24

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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 Laura J.
8 Thomas 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 11th 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-3878)

ERRATA SHEET

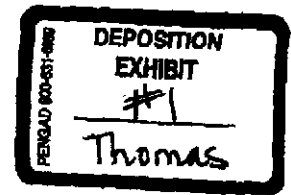
Please do not write on the transcript. Any changes in form or substance you desire to make should be entered upon this sheet.

TO THE REPORTER:

I have read the entire transcript of my deposition taken on the 10th 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
18	1,2	name should be "NOLLENBERGER"	misspelled
36	12	name should be "MUNCZINSKI"	misspelled
61	16	missing word "I" at beginning of sentence	missing
73	23	error: please note item asked to be accepted subject to check was incorrect	
74	17	error: please note item asked to be accepted subject to check was incorrect	
117	11	missing word "It" at beginning of sentence	missing
128	16	"taken" should be "taking"	typo
142	16	"customer are leaving." should be "customers are leaving?"	typo
236	4	error: please note item asked to be accepted subject to check was incorrect	

Date August 18, 2011 Signature: Lama J. Thomas



**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S RESPONSE TO
INDUSTRIAL ENERGY USERS-OHIO
DISCOVERY REQUEST
CASE NO. 11-346-EL-SSO AND 11-348-EL-SSO
SECOND SET**

INTERROGATORY

INT-091. Identify any supporting workpapers for interrogatories 89 and 90.

RESPONSE

See IEU INT-091 Attachment 1 for analysis regarding the Retail Administration Charge.
See IEU INT-091 Attachment 2 for analysis regarding the Transaction Risk Adder.
See IEU INT-091 Attachment 3 for analysis regarding a review of the Full Requirements
Service components in various deregulated states.

Prepared by: Thomas



IEU INT-91 Attachment 3.pdf

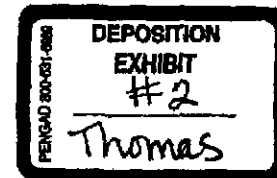


IEU INT-91 Attachment 1.pdf



IEU INT-91 Attachment 2.pdf

RETAIL ADMIN FEE - SUPPORTING ANALYSES					
STATE	ENTITY / FORUM	AMOUNT / DESCRIPTION	DATE	RATIONALE	
Pennsylvania	FirstEnergy and Penn Power	The Administrative Charge varies by company and class, but is approximately \$3.00/MWh	2009	An administrative fee for applicable costs by customer class is applied to each kWh of Default Service delivered to Retail Customers - (there is also an uncollectible accounts expense fee that reflects additional uncollectible accounts expense cost incurred by the Company as a result of providing Default Service that is not shown in the \$3/MWh charge.)	
Ohio	SB 221	Section 4928.20(J), Ohio Revised Code, provides some general guidance on the items that should be included in the Competitive Benchmark.	2008	In regards to the market price for governmental aggregation customers that return to the utility for competitive retail service, the provision states that "...such market prices shall include, but not be limited to"; Capacity Charges, Energy Charges, All charges associated with the provision of power supply through the regional transmission organization..., and all other costs incurred by the utility that are associated with the procurement, provision and administration of that power supply.	
Ohio	DE Ohio	DE Ohio's MRO filing includes a Supply Management Fee of \$2.81/MWh in the Forward Pricing calculation, or 4.8% of the total price.	2010	The Supply Management Fee is described as the day-to-day costs of business for the CRES provider.	
Ohio	DE Ohio	DE Ohio included a Supply Management Fee of \$3.67 in the Forward Pricing calculation, or 4% of the total price.	2008	The Supply Management Fee is described as the day-to-day costs of business for the CRES provider.	
Maryland	PEPCO Order No. 78710 - Administrative Charge	Varies by class but is roughly \$6.00/MWh - This charge includes return (profit) to the utility and incremental costs related to SOS. (This charge is bypassable for customers who shop.)	2003 through the present	Administrative charges are true-up on an annual basis - as of this most recent filing, PECO was carrying a net under collection.	



**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
DISCOVERY REQUEST
CASE NO. 11-346-EL-SSO AND 11-348-EL-SSO
FIRST SET**

REQUEST FOR PRODUCTION OF DOCUMENTS

RPD-010 Please provide a copy of the Black Scholes model used to calculate the cost of CSP and OP's POLR obligation.

RESPONSE

The constrained option model used to determine the Company's POLR cost was constructed and runs within the MATLAB software. MATLAB provides a programming and analysis environment for data intensive projects such as statistics and data analysis, and computational finance projects. AEP has not created a stand-alone version of the constrained option model that can be readily exported.

Prepared by: Laura J. Thomas