

BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

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

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

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

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

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

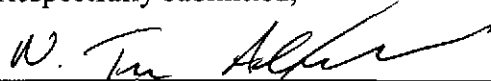
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FirstEnergy Solutions Corp. ("FES"), pursuant to O.A.C. 4901-1-24, hereby provides notice to all parties that it is filing the following deposition transcripts:

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

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
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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 29<sup>th</sup> day of August, 2011, via e-mail upon the parties below.

  
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FILED

Thomas S. Lyle - 8/11/2011

Application of Columbus Southern Power Co. and Ohio Power Co.

<p style="text-align: right;">Page 1</p> <p style="text-align: center;">BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO</p> <p>-----</p> <p>IN THE MATTER OF THE ) APPLICATION OF COLUMBUS ) SOUTHERN POWER COMPANY AND ) OHIO POWER COMPANY FOR ) AUTHORITY TO ESTABLISH A ) CASE NO. 11-0346-EL-SSO STANDARD SERVICE OFFER ) CASE NO. 11-0348-EL-SSO PURSUANT TO §4928.143, OHIO ) REV. CODE, IN THE FORM OF AN ) ELECTRIC SECURITY PLAN, ) -----</p> <p style="text-align: center;">TELEPHONIC DEPOSITION - OF - THOMAS S. LYLE</p> <p>taken on behalf of FirstEnergy Service Company on Thursday, August 11, 2011, at the offices of Court Reporters Associates, 148 College Street, 2nd Floor, Burlington, Vermont, commencing at 2:33 PM.</p> <p>COURT REPORTER: JOHANNA MASSÉ, RMR, CRR</p>	<p style="text-align: right;">Page 2</p> <p>APPEARANCES: (Via Telephone) ON BEHALF OF FIRSTENERGY SERVICE COMPANY: LAURA C. McBRIDE, ESQ. Calfee, Halter &amp; Griswold LLP 1400 KeyBank Center 800 Superior Avenue Cleveland, OH 44114 (216) 622-8200 lmcbride@calfee.com</p> <p>ON BEHALF OF NATIONAL RESOURCES DEFENSE COUNCIL: SHANNON FISK, ESQ. National Resources Defense Council 2 North Riverside Plaza, Suite 2250 Chicago, IL 60606 (312) 651-7904 sfisk@nrdc.org</p> <p>ON BEHALF OF SNR DENTON US LLP: EMMA F. HAND, ESQ. SNR Denton US LLP 1301 K Street, N.W. Suite 600, East Tower Washington, D.C. 20005-3364 (202) 408-7094 emma.hand@snrdenton.com</p> <p>ON BEHALF OF COMMISSION STAFF: WERNER L. MARGARD III, ESQ. Assistant Attorney General Public Utilities Section 180 East Broad Street, 6th Floor Columbus, OH 43215 (614) 644-8698 werner.margard@puc.state.oh.us</p> <p>ON BEHALF OF COLUMBUS SOUTHERN POWER COMPANY and OHIO POWER COMPANY: MATTHEW J. SATTERWHITE, ESQ. American Electric Power Corp. One Riverside Plaza, 29th Floor Columbus, OH 43215 (614) 716-1915 mjsatterwhite@aep.com</p>
<p style="text-align: right;">Page 3</p> <p>1 INDEX</p> <p>2 THOMAS S. LYLE PAGE</p> <p>3 EXAMINATION BY MS. McBRIDE 4</p> <p>4 EXAMINATION BY MR. SATTERWHITE 80</p> <p>5 EXAMINATION BY MS. McBRIDE 87</p> <p>6</p> <p>7</p> <p>8 EXHIBITS</p> <p>9 (None)</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 4</p> <p>1 THURSDAY, AUGUST 11, 2011</p> <p>2 2:33 PM</p> <p>3 -----</p> <p>4 THOMAS S. LYLE,</p> <p>5 having been first duly sworn, testified as follows:</p> <p>6 EXAMINATION</p> <p>7 BY MS. McBRIDE:</p> <p>8 Q. Mr. Lyle, my name is Laura McBride, and I'm</p> <p>9 one of the attorneys representing FirstEnergy Solutions</p> <p>10 Corp. in the AEP ESP case.</p> <p>11 A. Hello.</p> <p>12 Q. How are you? Can you hear me okay?</p> <p>13 A. I can.</p> <p>14 Q. Okay. Great. And you are here today as a</p> <p>15 witness on behalf of the National Resources Defense</p> <p>16 Council --</p> <p>17 A. Correct.</p> <p>18 Q. -- is that right?</p> <p>19 A. Correct.</p> <p>20 Q. Okay. We've attached -- do you have a copy of</p> <p>21 your testimony in front of you?</p> <p>22 A. I do.</p> <p>23 Q. Okay. Great. You attached at the back a copy</p> <p>24 of your -- your résumé. Have you ever -- can you tell</p> <p>25 me whether or not you've ever worked on the investor</p>

1 (Pages 1 to 4)

<p style="text-align: right;">Page 5</p> <p>1 side of renewable projects?</p> <p>2 A. No.</p> <p>3 Q. Okay. And so it's fair -- is it fair to say</p> <p>4 that your experience in renewable projects are from the</p> <p>5 vantage point of a utility?</p> <p>6 A. More specifically, you know, from -- from the</p> <p>7 vantage point of the regulator. In a prior position</p> <p>8 from -- in a prior -- my -- prior to joining Optimal</p> <p>9 Energy, I was with the Vermont Public Service Board,</p> <p>10 and I did -- also as a vantage -- I'm just thinking</p> <p>11 back here. As -- as a consultant for Optimal, we</p> <p>12 worked on behalf of a power authority, Long Island</p> <p>13 Power Authority, with respect to their renewable</p> <p>14 program, but this was customer-sided renewable</p> <p>15 programs.</p> <p>16 Q. Okay. All right. And you described that --</p> <p>17 that experience with renewable projects as being on the</p> <p>18 regulator side of the --</p> <p>19 A. Yeah. Initially I did, yes. I did say -- I</p> <p>20 was thinking back to my time with the Public Service</p> <p>21 Board but then recalled working, you know, on behalf of</p> <p>22 a, you know, power authority, public power authority.</p> <p>23 So yes, on the utility side.</p> <p>24 Q. Okay. And what work have you done in Ohio?</p> <p>25 A. This is the first time I've worked in Ohio.</p>	<p style="text-align: right;">Page 6</p> <p>1 Q. And is this -- so this is your first testimony</p> <p>2 before the PUCO?</p> <p>3 A. Correct.</p> <p>4 Q. Go ahead. Sorry.</p> <p>5 A. I said correct. I answered.</p> <p>6 Q. Oh, okay. I notice on your résumé some -- a</p> <p>7 reference to AMP Ohio?</p> <p>8 A. Oh. We did some work for -- AMP Ohio is an</p> <p>9 association that was starting up the Efficiency Smart</p> <p>10 program.</p> <p>11 Q. Okay. And what involvement did you have in</p> <p>12 that work?</p> <p>13 A. It was more the program planning side. You</p> <p>14 know, we developed what's called an operations manual</p> <p>15 that was for the AMP managers, the AMP -- the</p> <p>16 association managers, to -- who are charged with</p> <p>17 overseeing the day-to-day operations of Efficiency</p> <p>18 Smart. They are -- you know, as Efficiency Smart, the</p> <p>19 efficiency program administrative files, program plans,</p> <p>20 we gave them kind of a checklist of -- of -- the AMP</p> <p>21 officials a checklist of what things to look for, look</p> <p>22 at, things of that nature.</p> <p>23 Q. Okay. And when was that work done?</p> <p>24 A. It was the beginning part of this year.</p> <p>25 December 2010, January '11 -- January, February 2011</p>
<p style="text-align: right;">Page 7</p> <p>1 when the work was completed.</p> <p>2 Q. Okay. And so have you ever worked with a</p> <p>3 regulated Ohio utility?</p> <p>4 A. No.</p> <p>5 Q. And do you have the understanding that AMP</p> <p>6 Ohio is not a regulated utility in Ohio?</p> <p>7 A. I understand that industry has been</p> <p>8 restructured and is deregulated from --</p> <p>9 Q. Okay. And so other than AMP Ohio, you have</p> <p>10 not worked with any Ohio-based entities; is that right?</p> <p>11 A. Correct.</p> <p>12 Q. I'm sorry. You cut off. Okay.</p> <p>13 A. Yes.</p> <p>14 Q. Have you had any discussions with anyone from</p> <p>15 AEP?</p> <p>16 A. No.</p> <p>17 Q. And do you consider yourself familiar with</p> <p>18 Ohio's regulatory system for electric service?</p> <p>19 A. Familiar with it.</p> <p>20 Q. And how -- how are you familiar with it?</p> <p>21 A. Just during this case reading some of the</p> <p>22 statutes that have been forwarded on to me and just,</p> <p>23 you know, general reading of -- of the testimony filed</p> <p>24 by AEP.</p> <p>25 Q. Okay. And so your familiar -- familiarity</p>	<p style="text-align: right;">Page 8</p> <p>1 with Ohio's regulatory system is based on some statutes</p> <p>2 that you've read as well as AEP's direct testimony?</p> <p>3 A. Correct.</p> <p>4 Q. And which statutes have you read?</p> <p>5 A. You would ask that. I don't have the numbers</p> <p>6 in front of me, but I think I recite to one in my</p> <p>7 testimony. 4928 electric -- you know, having to do</p> <p>8 with electric security plan, and also the RPS.</p> <p>9 Q. And other than your reading of the statute and</p> <p>10 AEP's testimony, have you had any discussions with</p> <p>11 anyone regarding Ohio's regulatory system?</p> <p>12 A. Well, general discussions with -- with NRDC.</p> <p>13 Q. On Page 4 of your testimony, you refer to</p> <p>14 the -- let's see, the current regulatory framework.</p> <p>15 Let's see. That's about Line 19 if you have it in</p> <p>16 front of you.</p> <p>17 A. I do. Yup.</p> <p>18 Q. Actually starting on Line 10.</p> <p>19 A. I'm just reading it now.</p> <p>20 Q. Okay. Let me know when you're ready.</p> <p>21 A. Okay.</p> <p>22 Q. And what is the regulatory framework that</p> <p>23 you're referring to?</p> <p>24 A. The idea -- or the concept that, you know, AEP</p> <p>25 is required to file an electric security plan every</p>



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1 three years.

2 Q. And so it's your understanding that AEP has to  
3 file an ESP every three years?

4 A. That's my understanding, yes.

5 Q. Okay. You mentioned that you'd reviewed the  
6 statutes for RPS. Can you just define RPS for me, or  
7 for the court reporter?

8 A. Renewable portfolio standard.

9 Q. Okay. And so that -- I'm not sure what  
10 section of the statute you're referring to, but 4928.64  
11 contains renewable energy resource requirements. Is  
12 that the statute you're referring to?

13 A. Yes. At least -- I don't -- I don't have the  
14 numbers -- the statute numbers in front of me, but I  
15 believe that's it, yeah.

16 Q. Okay. And what is your understanding of the  
17 requirements on AEP for renewable energy resources?

18 A. Well, generally that there's escalating  
19 amounts of -- of renewable resources that need to be  
20 acquired, some of which -- there's a solar carve-out,  
21 so some of which needs to be solar renewables, and a  
22 subset of -- of the renewables need to be in-state,  
23 located in-state.

24 Q. Okay. And are you aware that the statute  
25 requires costs for renewable resources be imposed

1 through bypassable charges?

2 A. Can you rephrase the question? The court  
3 reporter's shaking her head, too. I don't think she  
4 understood.

5 Q. Okay. Are you familiar with the statutory  
6 requirement that costs for renewable resources be  
7 imposed by bypassable charges?

8 A. It's my understanding that the statute allows  
9 for nonbypassable rates if the company has developed --  
10 has demonstrated a need and that the energy generated  
11 is used to serve Ohio customers.

12 Q. And it's your understanding that that is a  
13 provision of the RPS statute?

14 A. Well, whether it's part of the RPS statute or  
15 part of the electric security plan statute, I'm not --  
16 it's -- I'm not -- I'm not sure which -- under which  
17 statute that -- that falls under.

18 Q. And that -- that test that you just reiterated  
19 for nonbypassable charges, is it your understanding  
20 that that test applies to costs for renewable resources  
21 specifically?

22 MR. FISK: This is Shannon. I would just  
23 object to the extent it calls for a legal conclusion.

24 But you can answer.

25 A. My understanding is that it applies to all

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1 generation, but again, I'm not a lawyer, so --

2 Q. Mr. Lyle, are you familiar with Ohio's market  
3 for renewable energy resources?

4 A. No. I would say no, I'm not.

5 Q. And did you have any involvement in the -- in  
6 the policy discussions leading up to Senate Bill 221?

7 A. No.

8 Q. And are you familiar with Senate Bill 221?

9 A. Boy, I do recall reading some information  
10 about Senate Bill 221. You have to help me out,  
11 though.

12 Q. Okay. Hold on one second. Okay. So your --  
13 you believe you read something about Senate Bill 221,  
14 but you're not familiar with its terms; is that what  
15 you're telling me?

16 A. Not familiar with what term? I'm sorry.

17 Q. What -- what Senate Bill 221 said.

18 A. Well, if you reminded me of what the title of  
19 the bill was, maybe it would jog my memory again.

20 Q. Oh, my gosh. Now you're questioning me. I  
21 have no idea. Anyway, we'll -- I'll get on to that  
22 when we get later into the reference.

23 But that Senate Bill 221 was the statute that  
24 established the terms for electric security plans --

25 A. Okay.

1 Q. -- does that ring a bell?

2 A. Right. Okay.

3 Q. Okay.

4 A. What's --

5 Q. Are you familiar that there are -- I think you  
6 already testified to this fact, but you're familiar  
7 that there are benchmarks established for renewable  
8 energy resources?

9 A. Correct. Although I don't recall what those  
10 benchmarks are at this moment, but -- I'd have to pull  
11 up the statute.

12 Q. And is it fair to say that -- that bench- --  
13 statutory benchmarks provide incentives for the  
14 development of renewable energy resources?

15 A. In- -- incentives?

16 Q. Yes.

17 A. For whom?

18 Q. For the people on which the benchmarks are  
19 imposed.

20 A. I'm just struggling with your characterization  
21 as an incentive versus a requirement. To me if it's a  
22 statute, it's more of a requirement and a mandate as  
23 opposed to an incentive. Incentive I think in terms of  
24 financial gains and -- and awards.

25 Q. Okay. Fair enough. Let's talk about it this

3 (Pages 9 to 12)

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1 way, then. I mean, if -- if I'm a developer of -- of  
2 renewable energy resources, does the fact that Ohio has  
3 a benchmark for renewable energy resources provide some  
4 incentive for me to sell my product in Ohio?

5 A. I'm not quite sure I understand the question.  
6 As the developer meaning a competitive resell- --  
7 reseller or competitive provider?

8 Q. Sure. A third-party independent entity, yes,  
9 that develops those kinds of resources.

10 A. I suppose there would be an incentive to the  
11 extent that market prices are higher in Ohio than they  
12 are in, say, Kentucky or Illinois.

13 Q. And is that true, what you're saying, that  
14 prices in Ohio are higher than Kentucky or Illinois?

15 A. It was a hypothetical. I don't know for  
16 exact --

17 Q. Okay. Okay. From your vantage point, what --  
18 what is the purpose of having a statutory benchmark for  
19 renewable resources?

20 A. Well, I can say from -- if I were to put  
21 myself in the shoes of the regulators, I would say that  
22 benchmarks -- RPS benchmarks are a public policy  
23 decision to diversify the electric fuel mix, to  
24 mitigate the harmful effects of fossil fuel-generated  
25 electricity, and that such a policy would eventually

1 kick-start the renewable energy industry so that  
2 renewable sources of generation would eventually -- the  
3 price of renewable -- renewably generated resources  
4 would eventually come down.

5 Q. Okay. So one of the purpose -- or one of  
6 the -- one of the effects of statutory benchmarks is to  
7 kick-start the renewable market; is that fair to say?

8 A. It's one of -- one of several, yes.

9 Q. Okay. And from your perspective, what is --  
10 what is the -- what is the effect of having a statutory  
11 benchmark that requires in-state solar resources?

12 A. That's a good question. Again, if I were to  
13 put myself in the shoes of -- of the Ohio regulators, I  
14 would think that the -- one of the only reasons -- or  
15 one of the reasons would be to increase the number of  
16 jobs related to renewable in-state.

17 Q. Okay. Do you have an understanding as to  
18 whether -- whether there are any requirements as to who  
19 should build the renewable resources?

20 A. I don't believe there are any requirements as  
21 to who.

22 Q. Okay. So would you agree that AEP is not  
23 required to build its own renewable resources in order  
24 to satisfy the statutory benchmarks?

25 A. Well, wait a minute. I take -- could I back

Page 15

Page 16

1 up a little bit? Can you ask your original question  
2 again? Can I have that read back to me again?

3 Q. Sure.

4 MS. McBRIDE: Johanna, can you -- I guess that  
5 would be two questions ago, I think.

6 THE WITNESS: Yeah.

7 (The record was read as follows: "Do you  
8 have an understanding as to whether there are any  
9 requirements as to who should build the renewable  
10 resources?")

11 THE WITNESS: Okay. So -- and then your  
12 follow-up question was, again?

13 BY MS. McBRIDE:

14 Q. I think your answer to that question was --  
15 was that you were not aware of any requirements on who  
16 should build it.

17 A. Yeah.

18 Q. I believe that my -- go ahead.

19 A. Yeah. I'm -- I'm -- your follow-up question  
20 leads me to believe that to the extent that AEP is  
21 providing service to Ohio customers, then they are  
22 required to comply with the RPS statute; that is, to  
23 build both in-state generation and to acquire a certain  
24 percent of their megawatt hours from renewable sources.

25 Q. So you -- you do believe that AEP is -- AEP

1 itself is required to build the renewable resources?

2 A. I -- yeah. I believe so. To the extent that  
3 they're providing power to -- you know, to Ohio  
4 customers, they do have captive customers.

5 Q. Right. No, understood, but I'm trying to make  
6 a distinction between AEP building it and AEP providing  
7 those resources. And it's your understanding -- what  
8 you're telling me is that you have an understanding  
9 that AEP itself is required to build the renewable  
10 resource facilities?

11 A. Okay. I'd have to reread the statute again.

12 Q. Okay. So --

13 A. Sorry.

14 Q. -- as you're sitting here today, you don't  
15 know whether or not AEP is required to build the  
16 renewable energy facilities itself?

17 A. Yeah. I'm sorry. I didn't -- I didn't -- I  
18 didn't quite make that distinction between build and  
19 provide, so I -- I'll have to go back to read the  
20 statute again to see -- to see whether they're required  
21 to actually build versus acquire.

22 Q. Okay. I believe you testified earlier that  
23 you are not familiar with the market for renewable  
24 energy resources in Ohio; is that correct?

25 A. In Ohio, yes.

4 (Pages 13 to 16)

<p style="text-align: right;">Page 17</p> <p>1 Q. And so you don't know whether or not it's 2 growing at this point, in these years -- recent years? 3 A. I haven't looked at any market statistics 4 lately about the rate of growth of renewable projects 5 in Ohio. 6 Q. Okay. I want to shift to one component of 7 your testimony regarding the least-cost analysis. And 8 is it fair to say that it's your opinion that AEP 9 should be required to conduct a least-cost analysis 10 before seeking cost recovery for the renewable 11 expenditures? 12 A. Yes. Well, for -- 13 Q. And -- and it's the same thing that AEP also 14 should be required to conduct a least-cost analysis 15 before seeking cost recovery for environmental 16 expenditures; is that also true? 17 A. Correct. 18 Q. In your -- on your résumé you indicated that 19 you had worked some with utilities for integrated 20 resource plans; is that right? 21 A. Yup. 22 Q. And do the integrated resource plans 23 incorporate this type of least-cost analysis? 24 A. Yes, they have. 25 Q. I'm sorry. What did you say?</p>	<p style="text-align: right;">Page 18</p> <p>1 A. Yes. 2 Q. Okay. And so resource -- the resource 3 planning process involves a least-cost analysis; is 4 that correct? 5 A. Correct. 6 MR. FISK: I'd like to object with a 7 clarification, I guess. Are you referring to the 8 resource plan that Mr. Lyle's worked on or Ohio's 9 resource planning process? 10 MS. McBRIDE: I guess I'm also asking him 11 generally about his experiences with resource planning 12 process. 13 MR. FISK: Okay. So not -- not Ohio's 14 necessarily. 15 A. Yeah. If it's -- 16 MS. McBRIDE: Well -- 17 A. Go ahead. 18 Q. Well, based on the fact that you have quite a 19 bit of experience in the resource planning process, I 20 was asking whether those processes that you've been 21 involved with involve the least-cost analysis that 22 you've testified about. 23 MR. FISK: Okay. 24 A. Can you repeat the question? I'm sorry. I 25 just -- I thought you were talking to Shannon.</p>
<p style="text-align: right;">Page 19</p> <p>1 Q. Okay. We'll try to start a clean slate. Am I 2 correct that you've been involved in the resource 3 planning process for renewable resources? 4 A. Well, it's -- well, there's been more than 5 just the renewable resources, but that's been part of 6 it, of my -- of my involvement in integrated resource 7 planning. 8 Q. Okay. And so the -- would the other aspects 9 be the efficiency? 10 A. Energy efficiency, correct. 11 Q. Yeah. Okay. And do you consider the least- 12 cost analysis that you've testified about here to be a 13 part of the resource planning process? 14 A. Yes. 15 Q. Okay. And have you read the testimony of any 16 of the other intervenor witnesses in this case? 17 A. The only one I've read -- well, except for 18 AEP? 19 Q. Right. 20 A. I've read AEP's and -- but just Jonathan 21 Lesser's just recently. That's it. 22 Q. Okay. So you have not read the testimony of 23 Michael Schnitzer? 24 A. Not yet. 25 Q. Okay. And can you just tell me generally</p>	<p style="text-align: right;">Page 20</p> <p>1 why -- why you believe the least-cost analysis should 2 be incorporated into the cost recovery proceedings as 3 you've testified? 4 A. Well, first of all, just let me first state 5 that, you know, I refer generally to the least-cost 6 planning principles in my testimony, and the reason why 7 is that, you know, least-cost planning, integrated 8 resource planning, whatever you want to call it, is a 9 large -- is a large and complicated area, and it's -- 10 goes well beyond the scope of this proceeding, you 11 know, well beyond the scope of my engagement with -- 12 with NRDC. So while I mentioned, you know, least-cost 13 planning, I'm doing it -- you know, I mention it only 14 from a very high-level and very generic sense. 15 So my concern -- you know, when I first got 16 involved in this case and reading the testimony from 17 AEP, my concern was that these -- the filing of 18 individual rate riders seemed to very narrowly focus on 19 certain aspects of AEP's business and the recovery of 20 costs, you know, related, for example, environmental 21 investment carrying charges. So my concern was that 22 the Commission was not getting a holistic view of AEP's 23 entire cost structure and revenue requirements. So 24 that was my general concern. 25 The secondary concern was that every time AEP</p>

<p style="text-align: right;">Page 21</p> <p>1 seeks to recover a specific cost for an investment or  2 an expense, that the company be required to do an  3 analysis that compared their -- their cost to -- you  4 know, to invest in controls versus actually shutting  5 down the plant, and from my perspective, the choice --  6 or the decision that AEP makes should be that it's the  7 least-cost option.  8 In other words, if -- if the analysis  9 indicates that closure of a coal facility is least cost  10 compared to continuing to run an old, dirty coal plant  11 with environmental controls in it, then the decision  12 ought to be close the facility, and that's generally  13 how, you know, I was kind of thinking about the least-  14 cost principles and how they would be -- or how they  15 should be applied to a specific request for approval of  16 a rate rider.  17 Q. Okay. And -- and so having read -- by the  18 way, have you read the proposed ESP application? I  19 know you mentioned that you read the testimony. Have  20 you read any of the other documents that went in the  21 application?  22 A. Well, the -- help me out. The application was  23 attached to the -- to -- or in front of the testimony  24 of Hamrock?  25 Q. I believe that's correct, yes.</p>	<p style="text-align: right;">Page 22</p> <p>1 A. It looked to me like a pleading. I don't know  2 if it was an application or a pleading or -- or what  3 have you, but --  4 Q. Yeah. That was probably it.  5 A. Yeah. I read -- I read most -- most of it. I  6 can't say I read all of it. Again, I was engaged  7 specifically to -- to discuss most, if not all the rate  8 riders. They're listed in my testimony, Page -- Page  9 3.  10 Q. Okay.  11 A. So I skipped over other aspects of -- of the  12 application.  13 Q. Okay. So you're familiar, then, that -- that  14 AEP has requested through the EICCR that it recover its  15 costs associated with environmental investments?  16 A. Correct. The carrying -- this is just the  17 carrying costs of the -- of such investments, yes.  18 Q. Okay. And -- and you're also familiar with  19 AEP has requested cost recovery for the closure of  20 certain generating facilities?  21 A. That's correct. Facility closure costs, yes.  22 Q. Okay. And so is it fair to say that -- that  23 the sort of general least-cost analysis that you've  24 testified about is important because AEP has no -- no  25 incentive to close the facility when it's -- when it</p>
<p style="text-align: right;">Page 23</p> <p>1 can also get recovery of environmental costs?  2 A. Well, that's -- yeah. That's the reason  3 for -- for -- well, that's one of the reasons for  4 pursuing a least-cost alternative -- or a least-cost  5 analysis, I'm sorry.  6 Q. Right. We're agreeing here that AEP gets its  7 costs back under either scenario. Either it keeps the  8 plant open and does some environmental work on the  9 plant and gets its costs back or it closes the plant  10 and gets its costs back.  11 A. Yeah. To me it's an either/or decision, and  12 that's -- and so -- yes. I think we agree.  13 Q. Okay. And so the least-cost analysis would be  14 used to determine what the best -- what the best steps  15 would be in terms of a specific generating facility?  16 A. Correct.  17 Q. Okay. Shifting slightly to the -- the FAC and  18 the alternative energy rider, it's your opinion that  19 AEP's proposed modifications to the FAC and the AER are  20 fair and reasonable; is that right?  21 A. Yes.  22 Q. And specifically you testified regarding the  23 modification that would separate the REC costs into the  24 AER, and is it your testimony that that is a positive  25 modification because it provides transparency?</p>	<p style="text-align: right;">Page 24</p> <p>1 A. Yes.  2 Q. Okay. And can you explain to me why -- why  3 transparency is, in your opinion, good?  4 A. Well, as I believe I stated in my testimony, I  5 think by -- separately identifying AEP's costs I think  6 would give both regulators and customers a better sense  7 as to what -- what those costs are related to and  8 therefore, you know, they could understand what's  9 driving those costs and the sources -- and the sources  10 of -- of such costs.  11 Q. Okay. And -- and does having that kind of --  12 that kind of cost information provide feedback to  13 customers about their energy usage?  14 A. In theory I would hope so, yes.  15 Q. Okay. And so would you agree with me that  16 it's important for customers to know the -- let me back  17 up.  18 Would you agree with me that it's important  19 for customers to -- to know the actual cost of the  20 services they're receiving?  21 A. Yes. It's important. Whether customers  22 actually pay attention to it is a different story,  23 but --  24 Q. Well, that's right. We'd all be in a  25 different place.</p>

<p style="text-align: right;">Page 25</p> <p>1 But, of course, the goal is that -- that if</p> <p>2 people understand the actual costs of services, that</p> <p>3 they would -- they would and could then adjust their</p> <p>4 usage as they saw fit?</p> <p>5 A. Right. Are you talking in electric --</p> <p>6 electric field, right -- electric industry, right?</p> <p>7 Q. Yes.</p> <p>8 A. Okay.</p> <p>9 Q. Okay. Turning to the Timber Road agreement.</p> <p>10 Are you familiar with what I'm referring to as the</p> <p>11 Timber Road agreement?</p> <p>12 A. Yes.</p> <p>13 Q. And I call them REPAs. Does anybody else call</p> <p>14 them REPAs? The REPAs?</p> <p>15 A. Not -- I know what you're referring to, yes.</p> <p>16 Go ahead.</p> <p>17 Q. Okay. And you've testified that -- that those</p> <p>18 type of agreements are an excellent tool for capturing</p> <p>19 low-cost energy resources; is that right?</p> <p>20 A. It's a tool, yes.</p> <p>21 Q. And -- and you've reviewed the Timber Road</p> <p>22 agreement in AEP's application; is that correct?</p> <p>23 A. For the most part -- yes. Most of it.</p> <p>24 Q. And are you aware that the Timber Road</p> <p>25 agreement was the result of a competitive solicitation</p>	<p style="text-align: right;">Page 26</p> <p>1 by AEP?</p> <p>2 A. That's my understanding, yes.</p> <p>3 Q. Okay. And -- and do you consider the fact</p> <p>4 that a competitive solicitation was involved to be a</p> <p>5 good thing or a --</p> <p>6 A. Well, they did put it out for bid. Yes, I</p> <p>7 think it's a good thing.</p> <p>8 Q. Okay.</p> <p>9 A. I think they're required --</p> <p>10 Q. And why is that?</p> <p>11 A. And they're also required to.</p> <p>12 Q. It's your understanding that they're required</p> <p>13 to send it out for a competitive bid?</p> <p>14 A. Right. Correct.</p> <p>15 Q. And -- and what do you base that on?</p> <p>16 A. I believe it's one of the statutes. I don't</p> <p>17 know if I refer to it in this particular section, but</p> <p>18 that long-term contracts need to be competitively bid</p> <p>19 and that the company establishes a need for the</p> <p>20 resource.</p> <p>21 Q. Okay. Do you know whether Tim- -- the costs</p> <p>22 associated with Timber Road are being applied to</p> <p>23 customers as a bypassable charge?</p> <p>24 A. Yes, I believe it is.</p> <p>25 Q. So do you believe that the Timber Road is a</p>
<p style="text-align: right;">Page 27</p> <p>1 bypassable charge?</p> <p>2 A. Right. I think this one falls under the AER,</p> <p>3 the alternative energy rider.</p> <p>4 Q. Okay. Would you agree that a competitive</p> <p>5 process -- competitive solicitation is one way to -- to</p> <p>6 assure that lower cost options are being explored?</p> <p>7 A. Yes.</p> <p>8 Q. And would you agree with me generally that</p> <p>9 competition in the energy market has positive benefits</p> <p>10 to customers?</p> <p>11 A. That's a loaded question. You're -- are</p> <p>12 you -- are you saying that competitive markets are</p> <p>13 perfect and always result in customer benefits?</p> <p>14 Q. I'm asking you whether or not you think</p> <p>15 competitive markets result in benefits to customers.</p> <p>16 A. And my answer would be sometimes yes,</p> <p>17 sometimes no.</p> <p>18 Q. Okay. And when do they not result in</p> <p>19 benefits?</p> <p>20 A. I think these questions are well beyond the</p> <p>21 scope of this proceeding, but, I mean, there's a myriad</p> <p>22 of reasons why competitive markets fail: Lack of</p> <p>23 information, lack of inertia on the part of</p> <p>24 customers -- I mean lack of -- you know, there's</p> <p>25 collusion on the part of suppliers. There's lots of</p>	<p style="text-align: right;">Page 28</p> <p>1 different reasons why competitive markets don't always</p> <p>2 result in -- in positive customer benefits.</p> <p>3 Q. Okay. Have you seen any -- have you seen any</p> <p>4 benefits to the market for renewable energy resources</p> <p>5 as a result of competition?</p> <p>6 A. Can you be a little bit more specific as to</p> <p>7 what you mean by -- by "benefits" or --</p> <p>8 Q. Well, you -- we talked earlier about the</p> <p>9 benchmarks and that one of the impacts of statutory</p> <p>10 benchmarks might be to kick-start the marketplace for</p> <p>11 renewable energy resources.</p> <p>12 A. Right.</p> <p>13 Q. And so I'm just asking whether or not you --</p> <p>14 okay. Let's take it up to a higher level. Have you</p> <p>15 seen benchmarks work to that effect?</p> <p>16 A. They -- the -- well, yes, the benchmarks do</p> <p>17 invite developers, renewable developers, to enter the</p> <p>18 market and to build -- and to build renewable energy</p> <p>19 projects, yes.</p> <p>20 Q. Okay. And as a result of more developers</p> <p>21 coming into the market, is it fair to say that -- that</p> <p>22 prices generally decrease?</p> <p>23 A. There has been a trend of decreasing prices,</p> <p>24 yes.</p> <p>25 Q. One of the -- I'm not quite sure how to</p>

<p style="text-align: right;">Page 29</p> <p>1 describe it. One of the aspects of -- of securing  2 renewable energy resources that you testify about is --  3 is making sure that there are assurances of cost  4 recovery.  5 A. Yes.  6 Q. And I believe that you testified that -- that  7 the Timber Road agreement provides those kind of  8 assurances that are needed; is that correct?  9 A. Correct.  10 Q. And the Timber Road is also a long-term  11 agreement. I believe it's 20 years. Is that right?  12 A. I believe so, yes. Subject to check.  13 Q. And as a long-term contract, do you believe it  14 provides the benefits of -- of mitigating price  15 fluctuations for renewable resources?  16 A. I would characterize it as -- as a long-term  17 contract allows the developers of Timber Road to secure  18 financing.  19 Q. Okay. And you testify on Page 24 that new  20 renewable generation resources are unlikely to be built  21 in Ohio unless there are assurances that prudently  22 incurred costs are recoverable over the life of the  23 renewable generation asset. Do you see that testimony  24 on Page 24?  25 A. What lines?</p>	<p style="text-align: right;">Page 30</p> <p>1 Q. Let's see. Starting on 14.  2 A. I'm reading it now.  3 Q. Okay.  4 A. Okay. And your question?  5 Q. Yeah. So my question is, so -- and the Timber  6 Road project achieved that, correct, the new renewable  7 generation resource being built in Ohio?  8 A. Right. I'm really kind of -- yeah. Yes.  9 I'm --  10 Q. I'm sorry. Were you going to say something  11 more?  12 A. Well, I was just going to make sure -- well, I  13 was just going to say that in that sentence on Line 14,  14 Page 24, I'm kind of just supporting AEP witness  15 Godfrey's statement in his testimony about cost  16 recovery.  17 Q. Okay.  18 A. It's not important.  19 Q. And you support it because you agree with it?  20 A. In this instance, yes.  21 Q. Okay. And -- and so correct me if I'm wrong,  22 but what you're saying is that in order for there to be  23 new renewable resources built in Ohio, there has to be  24 adequate insurance -- assurances of -- of cost  25 recovery, correct?</p>
<p style="text-align: right;">Page 31</p> <p>1 A. Correct. I mean, that's -- that's true in  2 Vermont, Maine. I assume it's true in Texas and Ohio.  3 Q. Sure. Anywhere.  4 A. Yes.  5 Q. And the Timber Road agreement is an example,  6 though, of how that can be achieved?  7 A. Correct.  8 Q. Okay. And so would you agree, then, that  9 bypassable cost recovery is not an impediment to the  10 development of new renewable generation resources?  11 A. As it applies to REPAs?  12 Q. Yes.  13 A. Yes.  14 Q. And would you feel -- you limited that to  15 REPAs. Is there a difference for other types of  16 renewable energy resource projects?  17 A. There -- there could -- there could be. You  18 know, it depends on the circumstances. Every -- every  19 renewable project and every contract related to a  20 renewable project is -- is slightly different.  21 Q. Okay. But as to REPAs, that's -- that is  22 true?  23 A. Correct. As to this REPA for Timber Road.  24 Q. Okay. Can you give me an idea of what would  25 be unique about the Timber Road project that would make</p>	<p style="text-align: right;">Page 32</p> <p>1 the distinction between bypassable and nonbypassable  2 cost recovery to be different from another REPA?  3 A. I'd have to think about that.  4 Q. Okay. Are you able to identify anything here  5 today?  6 A. I mean, I'd have to go back to the actual REPA  7 that -- the Timber Road REPA and review it a little bit  8 more closely.  9 Q. Okay. Can you identify anything generally,  10 not specific to the Timber Road REPA, but what in a  11 REPA might be -- might make that distinction  12 significant?  13 A. An opt-out provision.  14 Q. And what do you mean by an "opt-out  15 provision"?  16 A. An opt-out provision on the -- of AEP, you  17 know, not able to collect -- or not able to pay the  18 full cost of the -- of the energy provided.  19 Q. So if AEP itself put in a term to the  20 agreement that required -- made it contingent on  21 nonbypassable cost recovery, that would be one -- one  22 potential factor; is that what you're saying?  23 A. I'm sorry. Repeat that again.  24 Q. If AEP itself put in a provision into the REPA  25 that said it was contingent on nonbypassable -- the</p>

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1 approval of nonbypassable cost recovery, that would be  
 2 one factor?  
 3 A. Yes.  
 4 Q. Okay. Can you think of any others?  
 5 A. Not at the moment right now.  
 6 Q. And are you familiar with the term CRES, a  
 7 CRES provider?  
 8 A. Competitive provider?  
 9 Q. Yes. The competitive retail electric service  
 10 provider.  
 11 A. Correct. Yup.  
 12 Q. Okay. And what's your understanding about  
 13 CRES providers' obligations to provide renewable energy  
 14 resources in Ohio?  
 15 A. It's my understanding that they too are  
 16 required to satisfy the benchmarks.  
 17 Q. Okay. And it's your understanding that they  
 18 have to satisfy the same -- the same standard for  
 19 benchmarks -- obviously the numbers will change based  
 20 on load, but is it your understanding that the same  
 21 rules apply to a utility as would a CRES provider?  
 22 A. I believe so. In terms of percentages, you  
 23 mean?  
 24 Q. Correct.  
 25 A. Correct. Yes.

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1 A. Yes.  
 2 Q. Do you see that?  
 3 A. Yes.  
 4 Q. And you identify that carrying costs represent  
 5 financial returns on actual investments used and useful  
 6 in the provision of electric services, but you also  
 7 acknowledge that -- that the costs that AEP is  
 8 recovering through the EICCR is more than that, more  
 9 than a return on the investment; is that correct?  
 10 A. No, that's not my understanding. First let's  
 11 back up just a bit. You know, my testimony is really  
 12 just about the concept of the rider. When an actual  
 13 filing is being made -- and I believe I state this  
 14 throughout my testimony. When an actual filing is  
 15 made, the -- you know, the company needs to, you know,  
 16 demonstrate the prudence of those investments, that  
 17 they're used and useful and -- and they, you know,  
 18 reflect actual -- actual costs.  
 19 Q. Okay. Yup. I understood that. But you know  
 20 that -- that what AEP is seeking approval of here in  
 21 this proceeding is the framework for the rider, right?  
 22 A. It's the framework.  
 23 Q. Yes. And so -- and they have -- I guess I'm  
 24 trying to -- to figure out what your understanding is  
 25 about what is going to be recovered through that rider

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1 Q. Okay. I was hoping to turn to the EICCR and  
 2 your testimony on that rider. Would you agree that the  
 3 environmental expenditures associated with this rider  
 4 are generation-related expenses?  
 5 A. Yes. They're installed in generators.  
 6 Q. And you provided that the -- that AEP's  
 7 proposed EICCR is in the public interest. What does  
 8 that mean?  
 9 A. Well, to the extent that generation  
 10 facilities, including, you know, scrubbers and  
 11 environmental controls, are deemed to be prudent use  
 12 and useful, then allowing the cost recovery of the  
 13 carrying charges is also in the public interest.  
 14 Q. Okay.  
 15 A. I mean, utilities and other investors need to  
 16 recover not only the capital invested in these  
 17 facilities but the, you know, return on investment, or  
 18 the carrying charges.  
 19 Q. So it's your belief that AEP should be  
 20 entitled to recover on and of its investment in the  
 21 environmental expenditures?  
 22 A. Yes.  
 23 Q. Because I noted -- which page was that? On  
 24 Page 11, I think, at the -- yeah, on Page 11 in  
 25 Footnote 5, you provide a definition of carrying costs.

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1 given that we don't know exactly what costs are going  
 2 to be submitted yet through the rider.  
 3 A. Correct.  
 4 Q. But I'm trying to get at what your  
 5 understanding is as to what the framework allows AEP to  
 6 recover.  
 7 A. It would -- it would be limited -- for this  
 8 specific rider, the environmental investment carrying  
 9 cost rider, it would be --  
 10 Q. Okay.  
 11 A. -- the carrying costs associated with  
 12 investments in environmental controls.  
 13 Q. Okay. And when you -- when you use the term  
 14 "carrying costs," are you using the definition that you  
 15 included in Footnote 5?  
 16 A. Yes.  
 17 Q. Okay. And so it's your understanding that the  
 18 EICCR would authorize AEP to return -- to receive a  
 19 return on their environmental expenditures?  
 20 A. Yes. "Expenditures" meaning capital  
 21 investments.  
 22 Q. Correct.  
 23 A. As opposed to recurring expenses.  
 24 Q. Are you aware that the EICCR also includes O&M  
 25 expenses?

9 (Pages 33 to 36)

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1 A. Well, they haven't filed an actual rider, so  
 2 no, I'm not aware.  
 3 Q. Okay. Do you think they should be allowed to  
 4 recover O&M through the EICCR?  
 5 A. No, they shouldn't be.  
 6 Q. I'm sorry. What did you say?  
 7 A. No, they shouldn't be allowed.  
 8 Q. And do you think -- do you think they should  
 9 be entitled to return -- a return of their  
 10 environmental expenditures through the EICCR?  
 11 A. Yes. The undepreciated amounts, yes.  
 12 Q. You testified that the EICCR -- the proposed  
 13 EICCR is in the public interest. Have you analyzed  
 14 whether or not the proposed EICCR meets the statutory  
 15 criteria for a nonbypassable charge?  
 16 A. I think I believe -- I believe I stated that  
 17 so long as they demonstrate that there's a need for the  
 18 controls and that the -- such investments are least  
 19 cost compared to the alternative of shutting down the  
 20 plant, yes. You know, I did look at it from the  
 21 perspective of, you know, the regulatory requirements.  
 22 Q. Okay. So backing up. As it applies to the  
 23 EICCR, your understanding is that the statutory  
 24 requirements require the least-cost analysis and a need  
 25 for the investment?

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1 through the EICCR?  
 2 A. Are you talking about the actual investments  
 3 now?  
 4 Q. Yes.  
 5 A. Those that have occurred in 2009 and those  
 6 that are estimated to occur?  
 7 Q. Yes.  
 8 A. I -- I have not looked into those, so I --  
 9 that's not really the scope of -- no, I have not looked  
 10 into those.  
 11 Q. So applying your two criteria, the least-cost  
 12 analysis and the need for the investment, isn't it fair  
 13 to say that AEP has not met your test for the EICCR?  
 14 A. They haven't. No, they haven't. I mean, to  
 15 the extent that -- but the framework itself, so long as  
 16 that when they do file for an actual recovery, that  
 17 they provide -- or they demonstrate a need and that  
 18 they provide a least-cost analysis.  
 19 Q. Okay.  
 20 A. So --  
 21 Q. And when we talk about your criteria for need,  
 22 how do you define that need?  
 23 A. I haven't defined the need. I'm just  
 24 restating, rephrasing the statutory requirement for  
 25 need.

1 A. Correct.  
 2 Q. And so have you -- so you have not analyzed  
 3 whether or not the EICCR provides a reasonable  
 4 allowance for construction work-in-progress costs?  
 5 A. Can you state that question again?  
 6 Q. Sure. Are you familiar with the term "CWIP"?  
 7 A. Yup. Yes.  
 8 MS. McBRIDE: For the court reporter, that  
 9 would be CWIP.  
 10 Q. Am I correct that you have not analyzed  
 11 whether the EICCR provides a reasonable allowance for  
 12 CWIP?  
 13 A. No. I don't think I did look at it from that  
 14 perspective.  
 15 Q. Okay. And the least-cost -- going back to --  
 16 to your understanding of the statutory requirements,  
 17 the first one was a least cost, and has AEP satisfied  
 18 that least-cost analysis, in your opinion, for the  
 19 EICCR?  
 20 A. They haven't filed anything yet, but my  
 21 understanding is they -- they -- that they don't.  
 22 Q. Okay. And in your opinion, has AEP  
 23 established a need for the proposed -- excuse me.  
 24 Has AEP established the need for the  
 25 environmental investment that it seeks to recover

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1 Q. Okay. And so as you're using it, how -- how  
 2 are you using it, though? In your mind or in your  
 3 opinion, what does the need correlate to?  
 4 A. That the generating facilities are needed to  
 5 serve load now and in the future.  
 6 Q. Okay. So in the case of the EICCR, it would  
 7 be the generating facilities on which the environmental  
 8 investments are going to be made?  
 9 A. Yes. I would also add that to the extent  
 10 that, you know, environmental controls are needed due  
 11 to environmental regulations, both state and federal,  
 12 then -- then AEP would need to, you know, determine  
 13 whether -- whether to serve customers -- whether it  
 14 could better serve customers with new generation or by  
 15 investing in environmental controls. I don't know if I  
 16 made myself clear on that point, but you let me know.  
 17 Q. It sounds like it was sort of a combination of  
 18 the least cost and the need.  
 19 A. Yeah. I think -- it sounded like your line of  
 20 questioning was -- was directed towards whether, you  
 21 know, the environmental controls were needed because  
 22 the generation plant in which the controls are being  
 23 installed is needed to serve future load. I mean, I  
 24 think that -- that's true, but I think it's also true  
 25 that to the extent that -- you know, that AEP is

10 (Pages 37 to 40)



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1 operating dirty coal plants and needs to invest in  
2 controls because of environmental regulations and air  
3 quality regulations, then that too is -- is needed.  
4 You know, that too satisfies the need. But again, it  
5 comes back to whether or not -- you know, what is the  
6 least-cost option. You know, does -- is it least cost  
7 to just shut the plant down and not make the investment  
8 in controls and serve -- serve customer load through  
9 some other resource?

10 Q. Okay. And do you know whether or not AEP --  
11 let me back up.

12 Those -- those two aspects of need, is it your  
13 understanding that the statute encompasses -- the  
14 statute's reference to need encompasses both of those  
15 components?

16 A. I'm not a lawyer, but I would -- I would --  
17 and this is just a guess, but I would say yeah, it  
18 encompasses both. But again, you know, I'm not a  
19 lawyer, so --

20 Q. I understand. But you're -- you are  
21 testifying as to whether or not the EICCR is in the  
22 public interest and should be approved --

23 A. Subject to conditions. Yup.

24 Q. And from the information you've seen, has AEP  
25 established that the generating plants are needed to

1 serve local load? And by "plant," I'm talking about  
2 the plants associated with environmental investments  
3 through the EICCR.

4 A. I -- I don't think I -- I don't think I state  
5 either way, whether they have or they have not, but I  
6 assume -- I assumed that since they were -- they've  
7 been serving customers, these generation plants have  
8 been serving customers for some years now, that -- that  
9 they established the need at some point in time.

10 Q. Okay. And if AEP is selling power from some  
11 or all those generating plants off system, should it be  
12 entitled to recover costs for the environmental  
13 investments?

14 A. Yes. Again, I mean, so long as it's the  
15 least-cost option.

16 Q. So AEP should be entitled to recover its costs  
17 for the generating plants even if the power is sold off  
18 system?

19 A. Correct.

20 Q. And you testified that the change in the EICCR  
21 to make it a nonbypassable charge is not inappropriate.  
22 And why do you say that?

23 A. Again, it goes back to my statement before  
24 where the company has demonstrated a need for the  
25 investments and, you know, that the generating

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1 facilities along with the controls have been prudently  
2 incurred.

3 Q. And so -- and so, again -- and it's your  
4 understanding that if they show both of those factors,  
5 then they are allowed to pass through the charges as  
6 nonbypassable charges; is that right?

7 A. Right.

8 Q. Okay. At the bottom of Page 14 in your  
9 testimony, you also state that just like any regulated  
10 utility, AEP should be afforded the opportunity to  
11 return -- to earn a return on as well as a return of  
12 capital investment --

13 A. Uh-huh.

14 Q. -- that had been providing -- sorry. Go  
15 ahead.

16 A. No. I'm sorry. I'm just agreeing with you.

17 Q. Okay. -- that had been providing a service to  
18 the general body of ratepayers. How do AEP's  
19 environmental investments provide a service to the  
20 general body of ratepayers?

21 Let me back up and say, Who is the general  
22 body of ratepayers that you're referring to?

23 A. It would be AEP's customers.

24 Q. Their generation customers or their  
25 distribution customers?

1 A. Distribution. I'm sorry.

2 Q. Okay. And so, then, how do AEP's  
3 environmental investments provide a service to all of  
4 its distribution customers?

5 A. When you say "distribution customer," are you  
6 talking about retail -- you know, residential  
7 customers, just so we're clear? Residential, business  
8 customers, end users, consumers?

9 Q. Let's back up. Do you have an understanding  
10 that -- in Ohio's system that customers can shop for  
11 their generating service?

12 A. Yes. Yes.

13 Q. Okay. All right. And so that AEP serves all  
14 of its customers in its territory for distribution  
15 service, but some of those customers may be shopping  
16 for their generation service?

17 A. Correct. Okay.

18 Q. Okay?

19 A. Yup. Just want --

20 Q. Okay. So, then, how do AEP's environmental  
21 investments provide a service to shopping customers?

22 A. These -- I mean, these investments are going  
23 to, you know, reduce pollution, and they have  
24 environmental benefits to all customers. Shopping  
25 customers and -- and, you know, retail customers.

<p style="text-align: right;">Page 45</p> <p>1 Q. And are those environmental investments not 2 the same investments that nonutility generating 3 providers would bear? 4 A. It sounds like a hypothetical question. 5 Q. Well, okay. I mean, we have -- let's back up. 6 In Ohio we have utilities like AEP that own generating 7 facilities, and we -- there are nonutility owners of 8 generating facilities. Do you have that understanding? 9 A. Um-hum. Yes. 10 Q. Okay. And is it your understanding that the 11 environmental regulations apply to both types of owners 12 of generating facilities? 13 A. Yes. 14 Q. Okay. And the -- I'm trying to think of a 15 better way -- so there's the utility owners and let's 16 call them the competitive owners, can we call the other 17 group? 18 A. Okay. Yup. 19 Q. Okay. So under the EICCR, shopping customers 20 would be paying for those environmental investments 21 twice, correct? 22 A. Yeah. To the degree that the competitive 23 providers incurred the same types of cost in Ohio. 24 Q. Correct. In that scenario, shopping customers 25 would be paying twice. They'd be paying once for their</p>	<p style="text-align: right;">Page 46</p> <p>1 competitive supplier's environmental investments and 2 once for AEP's; is that right? 3 A. It's a hypothetical, yes. 4 Q. Okay. And -- but that is -- that is not 5 inappropriate, in your mind; is that correct? 6 A. No, it's not to the extent that -- you know, 7 that investments need to be made into, you know, dirty 8 coal plants to clean them up. 9 Q. Okay. If the competitive -- if the 10 competitive owner owned the dirty coal plant, can they 11 pass on the cost to people other than their generation 12 customers? 13 A. They can try. 14 Q. Do you see how that sets up an unequal system 15 if AEP can pass along its environmental investments to 16 people other than their generation customers but 17 competitive providers cannot? 18 A. I see where you're going with it, yup. 19 Q. And -- but that is not inappropriate to you? 20 A. No. Again, because these plants have been in 21 service and have been deemed prudent, you know, some 22 time ago. 23 Q. And do you think that AEP's base generation 24 rate should be nonbypassable? 25 A. The company has -- the company's proposal</p>
<p style="text-align: right;">Page 47</p> <p>1 is -- or -- it is bypassable. 2 Q. Right. And so would you think it would be 3 appropriate for it to be nonbypassable? 4 A. No, I wouldn't agree with that. I mean, 5 that's -- that's the -- that's the situation in Ohio, 6 as I understand it, so the base -- base generation is 7 bypassable. 8 Q. And why is your understanding that it is 9 bypassable? Why is it bypassable? 10 A. I -- well, I believe it's as a result of -- of 11 the dereg- -- of deregulation in the statutes. 12 Q. You have the understanding that it's the 13 generation service that was deregulated? 14 A. Yes. I believe so. 15 Q. Okay. And would you agree that the costs 16 associated with the GRR also are generation-related 17 expenses? 18 A. Yes. But it's my understanding it's for 19 new -- new generation going forward. New generation 20 being installed I think as of 2009. 21 Q. That that's what the GRR is; is that what 22 you're saying? 23 A. Subject to check. I'd have to go back. But 24 it's my understanding the GRR applies to generation 25 installed since 2009.</p>	<p style="text-align: right;">Page 48</p> <p>1 Q. And -- and so, then, what is your 2 understanding of what the costs are that are going to 3 be included in the GRR? 4 A. Costs related to energy and capacity. 5 Q. I'm sorry. Say that again. 6 A. The costs -- costs related to the production 7 of energy and capacity. 8 Q. Okay. Is it your understanding that it's 9 limited any -- any further from just energy and 10 capacity in general? 11 A. No. I think that's just it. So -- so it 12 encompasses O&amp;M and fuel costs. 13 Q. Okay. And so if -- if AEP built a new gas- 14 fired plant, could they recover the cost to the GRR as 15 you understand it? 16 A. The distinction I made here is, remember, what 17 I proposed is that it would be approved but subject to 18 modification and that the modification -- one of the 19 modifications being to carve out so-called 20 traditional -- traditional generating facilities: Gas, 21 coal, oil, things of that nature. 22 Q. Okay. So you think that language should be 23 removed from the scope of the GRR? 24 A. I -- yes. I stated -- I stated so in my 25 testimony.</p>

<p style="text-align: right;">Page 49</p> <p>1 Q. Okay. And so is it fair to say, then, that 2 you do not believe that the GRR should be approved 3 as -- as proposed by AEP? 4 A. Strictly speak- -- yes. As proposed. 5 Q. And have you analyzed whether the GRR meets 6 the criteria for nonbypassable generation charge? 7 A. I looked at it from the standpoint of whether 8 the company demonstrated the need and whether the 9 facilities were competitively bid. I limited my 10 analysis to that. Although -- 11 Q. Okay. And I'm sorry. It was the need and the 12 competitive bid? 13 A. Yes. 14 Q. Okay. And what was your conclusion about the 15 need? 16 A. I knew you were going to ask this question. 17 The -- now you're talking about Turning Point, correct? 18 Q. Sure. Okay. 19 A. Or are you talking about GRRs in general? 20 Q. Well, I'd like to talk about both, whichever 21 one you want to talk about first. 22 A. Okay. Well, the frame -- if we're just 23 talking about the GRR, you know, really we're just 24 talking about a framework, so -- so again, when AEP 25 files a rate rider seeking recovery for new generation,</p>	<p style="text-align: right;">Page 50</p> <p>1 it would have to -- it would have -- it would have to 2 dem- -- it would have to demonstrate the need at that 3 particular time. So that's the framework. And, of 4 course, that it's the least-cost option and that it 5 was -- it was competitively bid. 6 Does that answer your question satisfactorily 7 with respect to the framework? 8 Q. Yes. I guess I'm a little caught up between 9 your distinction between -- what is it that you think 10 AEP is requesting approval of in this -- in this case? 11 A. They're seeking -- they're seeking two 12 requests, as I understand it. One -- one -- one being, 13 you know, the GRRs as a general framework going 14 forward, and then they're also seeking recovery for a 15 portion, I guess it's Phase 1, of the Turning Point 16 Solar project. 17 Q. Okay. 18 A. And the recovery of Phase 1 is going to -- or 19 the costs of Turning Point are going to be recovered 20 through this proposed GRR. 21 Q. Okay. 22 A. Okay? 23 Q. And so then moving on to the need analysis 24 that you did for the framework, what was your 25 conclusion --</p>
<p style="text-align: right;">Page 51</p> <p>1 A. Well, with respect to the framework, I mean, 2 there was no real need analysis per se because, you 3 know, it's just a framework. There's no specific 4 project that we're talking about. 5 Q. Okay. Okay. And so you think the GRR could 6 be approved as a framework without a need analysis? 7 A. No. That's not what I'm saying. That's 8 not -- what I'm -- what I'm saying is that a needs 9 analysis within the GRR framework is a necessary 10 component. It's -- it's required by the statute. 11 Q. But that it should be done on an individual 12 cost application basis? 13 A. That's right. When -- when the company makes 14 a filing for a specific project -- 15 Q. Um-hum. 16 A. -- then that -- that filing, that rate rider 17 filing, should be accompanied with a need analysis. 18 Q. I understand. But in this case, in order to 19 approve the framework of the GRR, there is no need 20 analysis to be done because that would be done at the 21 individual filing level? 22 A. Right. Okay. Yes. 23 Q. Okay. Okay. And then as it relates to 24 Turning Point, what -- what was your analysis as to the 25 need for Turning Point established by AEP?</p>	<p style="text-align: right;">Page 52</p> <p>1 A. Okay. So -- well, with Turning Point, it is 2 my understanding that Turning Point -- well, there's 3 two aspects of the need analysis. There's -- they 4 filed -- I believe it's called a long-term forecast 5 plan in which they outlined or -- or -- yeah, outlined 6 their load going out -- I believe it's 15 years. And 7 then they described how they were going to, you know, 8 serve that load. 9 I haven't had -- you know, I haven't really 10 spent much time reviewing that long-term analysis. I 11 understand it's been filed, it was filed some time ago, 12 and it is under -- currently under consideration by the 13 Commission -- 14 Q. Okay. Have you -- 15 A. -- so -- 16 Q. -- read the long-term forecast plan? 17 A. Again, no. I have not -- I have not spent 18 time reading or reviewing it. 19 Q. Okay. 20 A. So at the time I was writing my testimony, I 21 assumed that AEP had made a showing or had indicated 22 that their -- what their load was going to be and how 23 they were going to serve that load. 24 Q. Okay. 25 A. So that's step one.</p>

<p style="text-align: right;">Page 53</p> <p>1 Q. I'm sorry. What did you say?</p> <p>2 A. That was step one.</p> <p>3 Q. Okay. Step two?</p> <p>4 A. Step two is the fact that they have an RPS</p> <p>5 requirement with a solar carve-out that needs to be</p> <p>6 in-state, and so the company put forward Turning --</p> <p>7 Turning Point as a proposed project to satisfy that</p> <p>8 statutory requirement.</p> <p>9 Q. Okay. And for this RPS requirement, is it</p> <p>10 your understanding that they made that showing in this</p> <p>11 ESP case?</p> <p>12 A. I think God- -- AEP witness Godfrey does make</p> <p>13 that claim that -- that Turning Point -- the Turning</p> <p>14 Point project is -- you know, helps them to achieve</p> <p>15 that RPS requirement.</p> <p>16 Q. Okay. Other than Godfrey's testimony, have</p> <p>17 you done any analysis as to whether or not the Turning</p> <p>18 Point project is needed for AEP's RPS requirement?</p> <p>19 A. No.</p> <p>20 Q. Okay. Going back to the -- the -- sorry. Is</p> <p>21 there any other steps after step two, or did we finish?</p> <p>22 A. No. That's -- nope. Just two steps.</p> <p>23 Q. Okay. Going back to the first step with the</p> <p>24 long-term forecast plan, just to clarify, is it -- is</p> <p>25 it correct that you didn't do any independent analysis</p>	<p style="text-align: right;">Page 54</p> <p>1 of whether AEP has a need under its long-term forecast</p> <p>2 plan for the Turning Point project?</p> <p>3 A. No, I haven't done any thorough analysis of</p> <p>4 the forecast plan.</p> <p>5 Q. Okay. What -- what analysis did you do that</p> <p>6 was not thorough?</p> <p>7 A. No. I didn't. I just -- at the time I wrote</p> <p>8 the testimony, I -- I assumed that the Turning Point</p> <p>9 project was -- was needed as part of their portfolio</p> <p>10 resources, energy resources, to serve load.</p> <p>11 Q. Okay. And I'm just clarifying that when you</p> <p>12 say you assumed that they'd established a need, that</p> <p>13 you didn't do any independent analysis --</p> <p>14 A. That's --</p> <p>15 Q. -- correct?</p> <p>16 A. Correct.</p> <p>17 Q. Okay. Okay. You -- one of the -- I think you</p> <p>18 testified to three proposed modifications to the GRR;</p> <p>19 is that correct? Let's see. The REC tracking system,</p> <p>20 the -- the issue with the three-year term of the ESP,</p> <p>21 and I think the modification of the -- the traditional</p> <p>22 language that we talked about.</p> <p>23 A. Yes. Yes.</p> <p>24 Q. Okay. Turning to the REC tracking issue, you</p> <p>25 state there's a risk that shopping customers will be</p>
<p style="text-align: right;">Page 55</p> <p>1 charged twice for the equivalent REC under the GRR; is</p> <p>2 that correct?</p> <p>3 A. Yeah. Which page are you on again and line?</p> <p>4 Q. Let's see. It's roughly Page 18.</p> <p>5 A. Right.</p> <p>6 Q. Do you see that on Line 8?</p> <p>7 A. Yup. Yes.</p> <p>8 Q. Okay. And so -- and you -- you recommend that</p> <p>9 it be modified such that RECs could be attributed to</p> <p>10 CRES providers as appropriate based on the load; is</p> <p>11 that correct?</p> <p>12 A. Yeah. That AEP develop a system, an</p> <p>13 accounting system, that tracks and allows the transfer</p> <p>14 of RECs.</p> <p>15 Q. Okay. And that would be done to avoid the --</p> <p>16 the impact on shopping customers paying twice for RECs?</p> <p>17 A. That -- that would be the intent, yes.</p> <p>18 Q. Okay. And would you agree with me that if</p> <p>19 shopping customers did pay twice for RECs, it would be</p> <p>20 anticompetitive?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. And the tracking system that you talk</p> <p>23 about, you -- you recommend a collaborative and a</p> <p>24 separate accounting system. Would it be easier to just</p> <p>25 make the GRR bypassable?</p>	<p style="text-align: right;">Page 56</p> <p>1 A. Easier for whom? FirstEnergy?</p> <p>2 Q. Easier for the Commission and for AEP?</p> <p>3 A. No. I don't think so.</p> <p>4 Q. Why not?</p> <p>5 A. Because then I think it would be hard -- it</p> <p>6 would be more difficult to -- it would be more</p> <p>7 difficult to secure financing for -- for new -- for new</p> <p>8 renewable energy sources, new generation sources that</p> <p>9 follow -- that would be recovered under the GRR.</p> <p>10 Q. And so back again to this issue that the</p> <p>11 nonbypassable cost recovery as opposed to bypassable</p> <p>12 cost recovery is needed to secure financing for</p> <p>13 renewable projects; is that your testimony?</p> <p>14 A. Yeah, that's been my testimony, yes.</p> <p>15 Q. Okay. Although we did discuss the fact that</p> <p>16 the Timber Road project resulted in a new renewable</p> <p>17 generating facility in Ohio and it was bypassable; is</p> <p>18 that right?</p> <p>19 A. That's what the company requested, yes.</p> <p>20 Q. You also testified that the three-year term of</p> <p>21 the ESP hinders the development of AEP-owned renewable</p> <p>22 projects; is that right? I'm about Page 16.</p> <p>23 A. Yes, I did testify to that.</p> <p>24 Q. Okay. And you testify there that it's your</p> <p>25 understanding that AEP faces a number of challenges</p>

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1 because the proposed ESP is valid for three years. And  
2 what -- what's your understanding and where does it  
3 come from?

4 A. This -- this is an area that I may need to  
5 modify just a little bit. You know, it's my -- when I  
6 was writing the testimony, it was my understanding  
7 that, you know, the three-year plan is just that, it's  
8 a three-year plan, and every three years AEP files, you  
9 know, a new electric security plan and -- and so that  
10 rates may be subject to change, and to the extent that  
11 rates are subject to change, well, that then undermines  
12 the company's ability to finance renewable projects.

13 Q. Okay. Did you -- did you say something about  
14 you had to modify something there?

15 A. You know -- you know, upon further discussions  
16 with NRDC, it's my understanding that once the rates --  
17 you know, for example, for a Turning Point project,  
18 once those rates had been established, that they --  
19 they remain -- they remain in effect. In other words,  
20 riders are just basically, you know, added on to each  
21 other and that they remain into effect until the end of  
22 the project.

23 Q. Okay. And so -- so what does that mean for  
24 your conclusion on Line 15 to --

25 A. It's -- it's less -- less of an importance, I

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1 providers do -- do have the same -- same types of  
2 challenges, and they may have some -- some advantages,  
3 too.

4 Q. And what might those advantages be?

5 A. You know, they may not -- they may not have  
6 old -- older plants that have been -- you know, that  
7 were -- that have been built, you know, several years  
8 ago, several decades ago. In other words, their  
9 stranded costs may not be as high as AEP's.

10 Q. Okay. When you talked here in Lines 15 to 17,  
11 were you talking about challenges in financing new  
12 renewable projects, or renewable projects generally?

13 A. I'm on Page 16?

14 Q. Yes. Page 16, Lines 15 to 19.

15 A. New. I was referring to new projects.

16 Q. Okay. New projects. And -- and I'm sorry.  
17 You were saying that the CRES providers may have  
18 advantages because they don't have these stranded costs  
19 associated with older generating facilities? Is that  
20 what you were saying?

21 A. Yeah. That they may have such advantages.

22 Q. Are there any other advantages you -- you see  
23 for CRES providers?

24 A. Not at the moment, no.

25 Q. And might there be any disadvantages for CRES

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1 think.

2 Q. Okay. So --

3 A. I mean, really where I was coming at from --  
4 from the perspective of including this, my -- my frame  
5 of reference was that for -- you know, for the utility,  
6 for any -- for any energy resource -- any competitive  
7 resource supplier, to have to, you know, continuously  
8 file three-year plans, it -- it just seemed to me that  
9 it was -- the company was constantly in planning,  
10 constantly changing -- you know, changing its strategy.  
11 It just -- it just didn't -- it just didn't seem to me  
12 to be a long-term resource plan.

13 Q. Okay.

14 A. I have to -- just one more thing. I have  
15 to -- I just want to apologize. There's all this  
16 construction that's going outside our door all of a  
17 sudden, and it's hard to -- hard to keep my train of  
18 thought going here. Just so you know.

19 Q. Okay. Understanding that -- that sort of  
20 modification to your testimony, the challenges that  
21 you're referencing that AEP faces in obtaining low-  
22 cost, long-term financing, do you have any reason to  
23 believe that those challenges are any different than  
24 the challenges faced by CRES providers?

25 A. No reason to believe. I think, yeah, CRES

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1 providers in obtaining low-cost, long-term financing?

2 A. Sure.

3 Q. And what might those be?

4 A. Maybe -- could be several disadvantages. You  
5 know, lack of a customer base; lack of established, you  
6 know, track record.

7 Q. Okay. On -- turning, then, to the next page  
8 at the top, you testified that it appears that AEP's  
9 only alternatives are to purchase power under long-term  
10 agreements with third-party -- third-party project  
11 owners or to propose a nonbypassable but potentially  
12 anticompetitive rider. Do you see that testimony?

13 A. Yes.

14 Q. Okay. And -- and that sort of dovetails on  
15 the question I asked before, but are you saying that  
16 these are the only alternatives for AEP to own a new  
17 renewable resource project? What are these the only  
18 alternatives for?

19 A. The alternatives are to purchase renewable  
20 power through -- through bilateral agreements, the  
21 REPA, or to invest directly into a renewable project,  
22 such as, you know, Turning Point.

23 Q. Okay. And -- and -- and you do not see a  
24 bypassable rider as a third alternative?

25 A. Well, I mean, that -- the REPA is a

15 (Pages 57 to 60)

<p style="text-align: right;">Page 61</p> <p>1 bypassable, so it's incorporated in that.</p> <p>2 Q. But it's incorporated under the first</p> <p>3 alternative?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And isn't there an additional option</p> <p>6 for AEP to purchase RECs only?</p> <p>7 A. I believe that is true, yes, they do have an</p> <p>8 option. I'm sorry. Yup. They do have the ability to</p> <p>9 purchase RECs. Although I'm not sure whether the</p> <p>10 purchase of RECs will get them to -- to the point where</p> <p>11 they need to be to satisfy their requirements, their</p> <p>12 RPS requirements.</p> <p>13 Q. But you don't know whether or not RECs only --</p> <p>14 that AEP could purchase only RECs to satisfy its</p> <p>15 benchmarks?</p> <p>16 A. I -- yeah, no. I haven't looked into that.</p> <p>17 I'm just -- I'm just agreeing with you that that is an</p> <p>18 option, that AEP could purchase RECs to satisfy their</p> <p>19 renewable -- at least portions of their renewable --</p> <p>20 the RPS requirement.</p> <p>21 Q. And in your opinion, is it important for AEP</p> <p>22 to own a renewable generating facility itself?</p> <p>23 A. Not per se. I mean, it's an option. It's --</p> <p>24 it's -- you know, it's divers- -- look at it as a</p> <p>25 diversified portfolio, that, you know, they're going to</p>	<p style="text-align: right;">Page 62</p> <p>1 buy under agreements and invest.</p> <p>2 Q. Okay. So from a business strategy, that might</p> <p>3 be important, but in terms of the benchmark --</p> <p>4 achieving the benchmark, that it's not necessarily</p> <p>5 important; is that correct?</p> <p>6 A. Yes. I believe so, yes.</p> <p>7 Q. And just to clarify, when you say "yes," do</p> <p>8 you mean yes, it's not important for the benchmark</p> <p>9 compliance?</p> <p>10 A. Yes.</p> <p>11 Q. Okay. Later on in that -- on that Page 17 you</p> <p>12 talk about amending the ESP rules. Is this a portion</p> <p>13 of your testimony that you might modify based on what</p> <p>14 you've subsequently learned?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. The -- the rules that you're referring</p> <p>17 to on Line 14, are those -- what were those rules, I</p> <p>18 guess is my question.</p> <p>19 A. I was just kind of generally -- generally</p> <p>20 pointing to, you know, the fact that there's a -- you</p> <p>21 know, a three-year -- three-year plan and that, you</p> <p>22 know, again, I was going back to the idea of the</p> <p>23 concept that there's really nothing -- there appears to</p> <p>24 be nothing long term about the way Ohio, you know,</p> <p>25 plans -- plans to, you know -- you know, establishes</p>
<p style="text-align: right;">Page 63</p> <p>1 its energy plans.</p> <p>2 Q. Okay. And you now have the understanding that</p> <p>3 it's not -- that the ESPs are not limited to a</p> <p>4 three-year term; is that right?</p> <p>5 A. I think they are -- they are -- I think the</p> <p>6 plans themselves are limited to three years, but the</p> <p>7 riders -- the riders can extend beyond the three years.</p> <p>8 That was the issue I was referring to before.</p> <p>9 Q. Okay. All right. Okay. Now shifting to</p> <p>10 the -- we talked about it briefly already, but shifting</p> <p>11 to Turning Point -- the Turning Point project.</p> <p>12 A. Um-hum.</p> <p>13 Q. The first criteria that you discussed is</p> <p>14 the -- is the need for the project to be sourced</p> <p>15 through a competitive bid process. Would you</p> <p>16 acknowledge that the Turning Point project was not</p> <p>17 sourced through a competitive bid process?</p> <p>18 A. Well, I wasn't -- I wasn't there, so I</p> <p>19 don't -- I don't know -- I don't -- I don't have any</p> <p>20 inside knowledge as to how -- how AEP, you know,</p> <p>21 entered into this joint venture, you know, who they</p> <p>22 talked to, the number of potential co-investors they --</p> <p>23 they talked to, so I don't know all the specifics as to</p> <p>24 how -- how AEP entered into this joint venture.</p> <p>25 Q. Okay. So you don't know whether it was</p>	<p style="text-align: right;">Page 64</p> <p>1 sourced through a competitive bid process or not?</p> <p>2 A. No. I mean, it's somewhat of a -- you know,</p> <p>3 this is an investment that they're making, so, you</p> <p>4 know, they're making a direct investment in Turning</p> <p>5 Point.</p> <p>6 Q. Okay. How does that relate to the question of</p> <p>7 whether or not it was sourced through a competitive</p> <p>8 bid?</p> <p>9 A. I suppose it doesn't really relate to it,</p> <p>10 actually, so --</p> <p>11 Q. Okay. I'm just trying to make sure I</p> <p>12 understood.</p> <p>13 A. Well, I think it relates to it. I think</p> <p>14 they're just somewhat different -- different --</p> <p>15 different -- different instruments, really.</p> <p>16 Q. Okay. Explain that a little further.</p> <p>17 A. Let me see here. Let me try to make a finer</p> <p>18 point of this. I mean, the -- you know, the REPA is a</p> <p>19 bilateral contract, and so they put that out to RFP</p> <p>20 because they want to acquire renewable energy --</p> <p>21 energy. So they put that out to bid, and there was a</p> <p>22 process they followed as outlined by witness Godfrey,</p> <p>23 and so that to me, you know, had all the appearances of</p> <p>24 being a competitive bid.</p> <p>25 Turning Point is a slightly different</p>

<p style="text-align: right;">Page 65</p> <p>1 investment vehicle where the company has decided to  2 make a direct investment for a -- I can't remember the  3 exact percent, but for -- for a significant percent of  4 the total -- the total cost of the plant.  5 Q. Okay. And --  6 A. So to some -- to some extent that was not --  7 you know, that's not, strictly speaking, a  8 competitively bid project. Now, I don't know the  9 process they went through to enter into a partnership  10 with -- with the counterparties involved in Turning  11 Point. I don't know -- you know, I don't -- I wasn't  12 there, so I don't know their -- the process they went  13 through.  14 Q. Okay. And is it fair to say that you haven't  15 seen any evidence in AEP's testimony that a competitive  16 bid process was used for the Turning Point project?  17 A. Well, I just want to be careful here, because  18 strictly speaking, it may not have been a bid -- a  19 competitive bid or a process where they -- they put out  20 an RFP. Okay. But the end result of this -- you know,  21 of the project, meaning that the levelized cost of the  22 project is, what, \$257 a megawatt hour, appears to have  23 gotten AEP at the same end point, meaning the price  24 reflects what -- you know, what a competitive bid  25 project would have -- would have resulted in.</p>	<p style="text-align: right;">Page 66</p> <p>1 Q. Okay.  2 A. Did I make myself clear?  3 Q. Yes. That's -- that's clear, and I'm just  4 trying to be similarly clear that you have not seen any  5 evidence that a competitive bid process was used. It's  6 your testimony that the result appears competitive, but  7 you have not seen any evidence that the competitive  8 process was used; is that correct?  9 A. Correct.  10 Q. Okay. And the second criteria would be the  11 need, and we've talked about this a fair bit. Do you  12 know whether AEP has projected that it will have an  13 excess of generating capacity over the next ten years?  14 A. Again, I haven't -- I -- I didn't look at  15 their long-term forecast, no.  16 Q. Okay. So you don't know whether or not --  17 A. No.  18 Q. -- they'll have an excess of capacity?  19 A. My -- my testimony is limited to the rate  20 rider -- riders as a framework, regulatory framework.  21 Q. Okay. And have you analyzed whether -- or  22 have you reached a conclusion as to whether AEP is  23 dedicating the energy or capacity of the Turning Point  24 project to Ohio consumers?  25 A. I haven't made that conclusion.</p>
<p style="text-align: right;">Page 67</p> <p>1 Q. I'm sorry. Did you say you have not?  2 A. No.  3 Q. I'm sorry. That was a double negative. I  4 just want to make sure.  5 A. Sorry. I --  6 Q. Let me ask it this way to be clear. Have you  7 analyzed whether AEP is dedicating the energy or  8 capacity of the Turning Point project to Ohio  9 consumers?  10 A. No, I have not.  11 Q. Okay. And have you analyzed whether AEP is  12 dedicating the cost of the rate associated with the  13 Turning Point project to Ohio consumers?  14 A. The rates -- the rates would be -- as proposed  15 by the company, the rates would be non- --  16 nonbypassable, so these rates --  17 Q. Correct.  18 A. -- these rates would be picked up by -- by  19 Ohio consumers.  20 Q. And have you analyzed whether or not that rate  21 is cost based?  22 A. I haven't -- I haven't done an in-depth  23 analysis. I do know that the -- that the supplemental  24 testimony of -- I think it was Godfrey or -- or Nelson,  25 I can't remember now, stated that the rate could equal</p>	<p style="text-align: right;">Page 68</p> <p>1 25 cents per month for a residential customer using a  2 thousand kilowatt hours a month.  3 Q. Okay. And -- and did you analyze whether or  4 not that was the rate associated with the cost of the  5 Turning Point project?  6 A. Well, I assume it was or otherwise Godfrey  7 would not have included it in his -- in his testimony,  8 but I did not do a -- you know, an in-depth analysis  9 of -- of -- of those costs, no.  10 Q. Okay. And have you reached any opinion as to  11 whether or not the Turning Point project is the  12 least-cost option for AEP?  13 A. I haven't had an opportunity to do that kind  14 of analysis.  15 Q. Do you believe that AEP should be required to  16 establish that the Turning Point project satisfies the  17 least-cost analysis that you've testified about?  18 A. Yes.  19 Q. And --  20 A. But -- but remember, though, least-cost  21 analysis, you know, with respect to renewables also --  22 there are also public policy decisions to consider.  23 Q. And what do you mean by that?  24 A. The -- you know, the public policy to -- to  25 foster renewable energy generation, to support/motivate</p>

<p style="text-align: right;">Page 69</p> <p>1 renewable energy developers.  2 Q. And -- and so are you saying that those are  3 components to the least-cost analysis?  4 A. Certainly.  5 Q. Okay. I wanted to clarify whether you were  6 testifying that the least-cost analysis should not  7 apply because of those other public policy  8 considerations.  9 A. No. I mean, it's part of it. Least-cost  10 analysis is always part -- part of any analysis, but  11 there are, you know, always additional, you know,  12 considerations. You know, the considerations of  13 whether -- you know, whether or not, you know,  14 renewable power should be promoted.  15 Q. Okay.  16 A. Remember, you know, the whole idea about  17 renewable power is to mitigate, you know, the harmful  18 effects of -- of greenhouse gas emissions, carbon,  19 dirty coal plants.  20 Q. Yes. Yes.  21 A. Those -- those are also costs. The costs of  22 environmental damages need to be considered.  23 Q. And has -- in your opinion, has AEP  24 established that this least -- that the Turning Point  25 project meets this least-cost analysis?</p>	<p style="text-align: right;">Page 70</p> <p>1 A. Not -- not -- no, they have not at this point.  2 Q. Okay. Turning to the -- the FCCR, the closure  3 cost rider. What's -- what's your understanding of the  4 costs that are included in this rider?  5 A. Hold on. I'm just turning to it now.  6 Your question again?  7 Q. I asked for what your understanding is of the  8 costs that are included in this rider.  9 A. You're talking strictly about just the  10 framework, right?  11 Q. Right. Yes. If approved, what this rider  12 would allow AEP to recover.  13 A. The cost -- the cost of closing the plant, you  14 know, the undepreciated plant balances and other costs  15 associated with actually closing the cost -- I'm sorry,  16 closing the facility.  17 Q. Okay. And would you agree that these costs  18 are generation-related costs?  19 A. Yes. They're associated with generators.  20 Q. And would you agree that -- that  21 decommissioning costs are included in depreciation for  22 plant?  23 A. The closing -- I'm sorry. The closing costs  24 are included in the depreciation rate?  25 Q. Yes.</p>
<p style="text-align: right;">Page 71</p> <p>1 A. Yes, they are. A portion of it.  2 Q. Okay. What -- what portion are you referring  3 to?  4 A. That portion that's already been depreciated.  5 Q. Oh, I see. Yes. Okay. I see what you're  6 saying.  7 A. So what I'm saying is that if you have a 30-  8 year plant and we're sitting at year 25, the  9 depreciation rate has captured the costs up to year 25.  10 Now there's still 30 -- or, I'm sorry, five years of  11 undepreciated plant that needs -- that should be  12 recovered.  13 Q. Okay. And -- and it's your testimony that --  14 that the FCCR should be approved; is that correct?  15 A. The framework.  16 Q. Okay. And -- trying to think how to phrase  17 this. And if AEP has already recovered these costs, do  18 you think they should be entitled to recover them  19 again?  20 A. Which costs are you referring to?  21 Q. The facility closure costs that would be  22 recovered through this rider.  23 A. If you're asking should -- should AEP be  24 allowed to double-recover, I would say no, they should  25 not be allowed to double-recover.</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. Okay. And if AEP previously waived its rights  2 to recover these costs, would it be appropriate for  3 them to recover them through the rider?  4 A. I'm not aware they waived their rights to  5 recover, but -- it appears to be a hypothetical  6 question to me.  7 Q. And can you answer it?  8 A. Excuse me?  9 Q. And can you answer that hypothetical question?  10 If AEP had waived its right to recover these costs, do  11 you think it would be appropriate for them to recover  12 the costs through the rider?  13 A. Let me couch it in these terms. I think  14 it's -- you know, it's in the public interest that AEP  15 has an ability to recover its undepreciated plant  16 balances and other associated closure costs if -- if  17 closing the facility is the least-cost option. If --  18 and if closing the facility reduces -- or mitigates  19 environmental damages.  20 Q. So are you saying that even if they've waived  21 their right to recover these costs, they should be  22 allowed to recover them?  23 A. Again, you know, if they've waived their right  24 to do -- to recover these costs, it seems to me there  25 is no -- from a public policy point of view, there's --</p>



<p style="text-align: right;">Page 73</p> <p>1 there doesn't appear to be an incentive or a reason for  2 AEP to choose the least-cost option.  3 Q. I'm struggling with how you link that to its  4 waiver of the right to recover the costs.  5 A. I'm not -- was there a question there? I'm  6 not sure there was. If there was, it went over my  7 head. Sorry.  8 Q. Do you have the -- you have the understanding,  9 correct, that generating facilities in Ohio have been  10 competitive since 2001?  11 A. That's what I've been told, yeah.  12 Q. Okay. And even though generating facilities  13 are in a competitive market, you think AEP should be  14 entitled to recover its cost because it's the least-  15 cost option?  16 A. I think -- yeah, if it's a least-cost option,  17 I think that's a good public policy -- that's a good  18 public policy to support. The company should have the  19 incentives and, you know -- the incentive should be  20 aligned so that all -- all provider -- all electric  21 providers, generators, are able to shut down, close  22 facilities that are old, that are not -- that require  23 additional investments to operate reliably, in addition  24 to investments -- investments needed for -- for  25 environmental controls or to close facilities.</p>	<p style="text-align: right;">Page 74</p> <p>1 Q. And it's a good -- therefore, it's a good  2 public policy to allow AEP to recover those costs even  3 though it previously represented that it would not seek  4 recovery of those costs?  5 MR. SATTERWHITE: I'll object to form. I  6 don't think any of that's been shown, unless you're  7 still talking hypothetically.  8 Q. Can you answer the question, or do you need it  9 read back?  10 A. Could you read it -- well, hypothetically?  11 Q. Yes.  12 A. Well, I wasn't even going to -- I wasn't aware  13 that they had waived their right, you know, some years  14 ago. I don't even know when -- when they did, so --  15 Q. Okay. And so I'm asking that if they had,  16 should they be -- do you think it's appropriate for  17 them to recover those costs through the FCCR?  18 A. Hypothetically, yeah. I believe so. Because  19 again, I'm -- I'm thinking -- thinking of this from the  20 perspective that generators should be able to have an  21 ability to recover costs associated with closing old,  22 dirty coal plants that are creating environmental  23 damages.  24 Q. Okay. And so you wouldn't be -- you wouldn't  25 be bothered if AEP had waived its right to recover</p>
<p style="text-align: right;">Page 75</p> <p>1 those costs before?  2 MR. FISK: I think I'm going to object. It's  3 been asked and answered a number of times now.  4 MS. McBRIDE: I'm just clarifying because I  5 asked the question about whether or not it would be  6 appropriate if it had waived those rights, and the  7 answer didn't get quite that far.  8 MR. SATTERWHITE: I'll object, too, then,  9 because I think we're beating a dead horse here.  10 MR. FISK: Yeah.  11 Q. Do you need the question read again?  12 A. Yes. I believe it's appropriate if they  13 waived --  14 Q. Okay. Would it also be appropriate for  15 competitive owners of generating facilities to recover  16 their costs for closure of old, dirty coal plants?  17 A. Yes.  18 Q. And should they -- should competitive and --  19 should all competitive owners of old, dirty coal plants  20 have the same right to recover costs associated with  21 closing those plants?  22 A. I didn't hear the question part of that. I'm  23 sorry. Could you say --  24 Q. Should all -- yes. I'll restate it. Should  25 all owners of -- all competitive owners of -- excuse</p>	<p style="text-align: right;">Page 76</p> <p>1 me. Strike that.  2 Should all owners of generating plants be  3 entitled to the same right to recover costs associated  4 with old, dirty coal plants?  5 A. Yes. They should have the opportunity to  6 collect those -- those costs.  7 Q. On Page 21 you -- you testify that the denial  8 I believe of the FCCR would jeopardize the intent of  9 the regulatory compact that investor-owned utilities  10 operate under. Do you see that on Lines 5 and 6?  11 A. I see it.  12 Q. And what is the regulatory compact that you're  13 referring to?  14 A. When I was writing this, I was thinking --  15 thinking in terms of -- of the, you know, traditional  16 vertically integrated, you know, regulatory, you know,  17 framework and regulatory -- regulated industry. In  18 other words, the regulatory compact meaning that  19 utilities provide service under tariff.  20 Q. Okay. And is it now your understanding that  21 that's not how utility -- utilities owning generation  22 operate here in Ohio?  23 A. Yeah, I do understand that the utilities are  24 operating under a deregulated environment. But again,  25 most -- most, if not all, of the -- these facilities</p>

<p style="text-align: right;">Page 77</p> <p>1 owned by AEP date back several years. You know, they  2 predate -- predate restructuring.  3 Q. Okay. Turning briefly back to Page 4, you  4 testify that your recommendations will support AEP's  5 effort to develop an ESP that stabilizes customer rates  6 over the long term. Do you see that?  7 A. Which line are you on again? I'm sorry.  8 Q. Lines 1 through 2 on Page 4.  9 A. Yup.  10 Q. Okay. And did you reach an opinion as to  11 whether the proposed ESP will stabilize customer rates  12 over the long term?  13 A. No, I did not do a thorough analysis, but I  14 was talking generally.  15 Q. Okay. Did you do any analysis of -- of the  16 rates under the proposed ESP over time?  17 A. My testimony is limited to the rate riders  18 identified on Page 3.  19 Q. Okay. Did you -- did you do any analysis of  20 what the rates will be underneath those riders during  21 this term of the proposed ESP?  22 A. Well, for several I couldn't because there are  23 no specific costs that are being -- being proposed  24 right now. This is just a framework.  25 Q. Okay. So some of them you couldn't because</p>	<p style="text-align: right;">Page 78</p> <p>1 there weren't any specific costs proposed?  2 A. Correct.  3 Q. Did you do any analysis on the other riders?  4 A. No. You mean other -- the other riders that  5 are not listed here, you mean, on Page 3?  6 Q. No. The other -- no. The other riders that  7 are listed on -- on your table on Page 3. You said  8 some of them didn't have any cost data associated, so I  9 was just asking whether or not you performed a cost  10 analysis of the other riders.  11 A. All right. I believe the only other one would  12 be the Phase 1 of Turning Point, and so no, I did not  13 look in depth into that particular rate for Phase 1.  14 Q. Okay. Then just quickly, not too long before  15 the deposition started, we got a document produced by  16 NRDC's counsel, which is a June -- looks to be a June  17 3rd memorandum to you from Patty Richards at LaCapra  18 Associates?  19 A. Yup. Yup.  20 Q. Are you familiar with this memorandum?  21 A. I -- yes. I -- yes, I am familiar with it.  22 Even though I -- I sent it on to Shannon this  23 afternoon, I -- I didn't read it very -- I didn't read  24 it. I read it several -- several weeks ago now, but go  25 ahead.</p>
<p style="text-align: right;">Page 79</p> <p>1 Q. I mean, I haven't had the chance to review it.  2 Can you just tell me what the -- what it -- what the  3 context is for it? Did you --  4 A. I -- I turned to LaCapra Associates - we  5 partner with them from time to time - to help me out  6 with the -- with a review of the Turning Point and --  7 and the Timber Road projects, to review -- review the  8 Timber Road REPA and then to -- to help me review  9 the -- the portions of Godfrey's testimony in the  10 appendix. I'm searching for the name of the document.  11 It's not necessarily agreement, but I guess a  12 memorandum of understanding between AEP and their --  13 their joint venture partners in Turning Point.  14 Q. Okay. And then did you then incorporate  15 LaCapra's conclusions into your testimony?  16 A. Some. Not all. I mean, a lot of -- a lot of  17 what I was -- mostly turned to LaCapra more for  18 confirmation of -- of some of my, you know,  19 understanding of -- of REPAs and solar projects and  20 also simply because I needed the extra bandwidth to --  21 to get the work done. "Bandwidth" meaning I needed --  22 I needed some man-hours to help me to do some of the  23 analysis.  24 Q. And it looks like -- I printed it quickly, so  25 I just have a black-and-white copy in front of me, but</p>	<p style="text-align: right;">Page 80</p> <p>1 it looks like some of the text is highlighted. Is that  2 correct?  3 A. Yeah. That's -- I did that on-line. It's a  4 PDF file. I did that on-line as I was reading and  5 reviewing the memorandum just to -- you know, just to  6 highlight points.  7 MS. McBRIDE: Okay. Okay. Thank you very  8 much, Mr. Lyle. I don't think I have anything else for  9 you. I'm not sure if anybody else on the phone has any  10 questions.  11 EXAMINATION  12 BY MR. SATTERWHITE:  13 Q. This is Matt Satterwhite. I have a couple.  14 A. Sure.  15 Q. I won't be long, I promise.  16 Can you turn to Page 2 of your testimony. I  17 was curious. On Line 2 it says you presided over  18 litigated proceedings with the Vermont Public Service  19 Board. Do you see that?  20 A. Yes.  21 Q. Was that like an attorney examiner role, or  22 what were your duties there?  23 A. I was a hearing officer for the Public Service  24 Board.  25 Q. Okay. So was it establishing an evidentiary</p>

<p style="text-align: right;">Page 81</p> <p>1 record?</p> <p>2 A. Correct. In Vermont you don't have to be an</p> <p>3 attorney to be a hearing officer.</p> <p>4 Q. That's -- that's what surprised me there.</p> <p>5 A. Yeah.</p> <p>6 Q. So -- and then was the result of that to make</p> <p>7 a recommendation based on an evidentiary record to the</p> <p>8 Vermont Public Service Board?</p> <p>9 A. Correct. Part -- part of it was -- yeah. You</p> <p>10 would -- you would write a proposed order for</p> <p>11 consideration by the full board.</p> <p>12 Q. Okay. That's interesting. Okay.</p> <p>13 I want to clear up a couple things. I think I</p> <p>14 was confused about them earlier from your testimony.</p> <p>15 So are you saying it's okay -- and this is -- do you</p> <p>16 remember the discussion you had with counsel earlier</p> <p>17 talking about competitive bidding in the Turning Point</p> <p>18 and then just hypothetically in general competitive</p> <p>19 bidding stuff?</p> <p>20 A. Yes.</p> <p>21 Q. Would you say it's okay to take advantage of</p> <p>22 company resources when you're doing a project as long</p> <p>23 as it doesn't erase -- let me -- strike that.</p> <p>24 Would you say it's okay to take advantage of</p> <p>25 company resources in a project and that doesn't</p>	<p style="text-align: right;">Page 82</p> <p>1 necessarily erase the competitive -- competitively bid</p> <p>2 eligibility of a project?</p> <p>3 A. Yeah, I -- yeah. The company should make --</p> <p>4 you know, take advantage of its internal resources to</p> <p>5 the benefit of its customers.</p> <p>6 Q. And especially when that outcome is consistent</p> <p>7 with a competitively bid price, I believe is what you</p> <p>8 said?</p> <p>9 A. Yes. Exactly.</p> <p>10 Q. Okay. Do you remember the discussions you had</p> <p>11 on least-cost analysis and what goes into least-cost</p> <p>12 and how you define it, those general discussions?</p> <p>13 A. We had a general discussion about least-cost</p> <p>14 for the last two hours, but go ahead.</p> <p>15 Q. I understand. Would you say a least-cost</p> <p>16 analysis has more considerations than just a final</p> <p>17 price?</p> <p>18 A. Yeah. I said as much early on. That is, it's</p> <p>19 not strictly a -- a dollar -- a dollar analysis, that</p> <p>20 there are other public policy considerations that need</p> <p>21 to be included in the analysis.</p> <p>22 Q. In fact, the benefits or value of the project</p> <p>23 or government requirements would impact a least-cost</p> <p>24 analysis?</p> <p>25 A. Correct. Benefits for -- you know, there are</p>
<p style="text-align: right;">Page 83</p> <p>1 plenty of benefits from renewable energy projects.</p> <p>2 There are also considerations related to statutory</p> <p>3 requirements.</p> <p>4 Q. Yeah. I'm just saying in the abstract,</p> <p>5 though, the benefits or value of the project or</p> <p>6 government requirements impact a least-cost analysis --</p> <p>7 A. Yes.</p> <p>8 Q. -- correct?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. Would you also say that competitive</p> <p>11 suppliers -- there were a lot of questions that you</p> <p>12 had. Just make sure you remember this, about</p> <p>13 whether -- you were taken through a series of</p> <p>14 discussions about costs of utility and then asked</p> <p>15 questions if competitive suppliers might have those</p> <p>16 same costs. Do you remember those questions?</p> <p>17 A. Yes. Generally I remember the conversation.</p> <p>18 Q. Isn't it correct that competitive suppliers</p> <p>19 have the ability to recover their costs in the rates</p> <p>20 that they choose to charge customers?</p> <p>21 A. They have the opportunity to recover costs,</p> <p>22 yes.</p> <p>23 Q. Because they -- they get to choose the rates</p> <p>24 that they charge to their customers, correct?</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 84</p> <p>1 Q. Something else that kind of interested me, you</p> <p>2 keep referring to "dirty coal" whenever you say a coal</p> <p>3 plant. Is every coal plant a dirty coal plant?</p> <p>4 A. That's a good question. I understand your --</p> <p>5 where you're coming from. Let's just put it this way:</p> <p>6 Generating electricity from coal isn't the best -- the</p> <p>7 best alternative.</p> <p>8 Q. Yeah. I'm just trying to get an answer. You</p> <p>9 know, later on -- I didn't object. I was trying to</p> <p>10 give lots of leeway as we moved through here, but, you</p> <p>11 know, later on it could become an issue when we're at</p> <p>12 the hearing, so --</p> <p>13 A. Right.</p> <p>14 Q. -- I guess the question I'd like an answer to</p> <p>15 is, Is every coal plant considered a dirty coal plant?</p> <p>16 A. Well, I mean, as you know, coal produces a lot</p> <p>17 more carbon than -- than alternative generation, so --</p> <p>18 Q. That's fine. I understood you were having fun</p> <p>19 with it. I just wanted to make sure it was clarified.</p> <p>20 A. Yup.</p> <p>21 Q. Give me a second. I think that's about all I</p> <p>22 have.</p> <p>23 I'm sorry. One more area. You had a</p> <p>24 discussion about different options a company can use to</p> <p>25 comply with requirements, and you laid out some</p>

<p style="text-align: right;">Page 85</p> <p>1 options, and it was discussed that another option was  2 the purchase of RECs. Do you remember that?  3 A. Yes.  4 Q. Is -- does that fall into the least-cost  5 analysis as far as you're concerned as well, if the REC  6 market is too high, that it's more beneficial or a  7 least cost to build something?  8 A. Yes. I think it's part of the analysis, yes.  9 I think it would fall under the least cost. If the REC  10 market is expensive, I think it is an -- I think the  11 company is obligated to seek out lower cost options but  12 at the same time satisfy the RPS requirements.  13 Q. Right. And strategically isn't there an  14 advantage to building it and having control to fit the  15 requirements versus a market that could fluctuate?  16 A. Yeah. I think I testified that it's a good  17 idea to diversify your portfolio.  18 Q. Right. But I'm talking about the different  19 options of a company choosing to comply with a  20 standard. You can build and have a known quantity, but  21 isn't it true that a REC market could fluctuate beyond  22 the control of the company?  23 A. It can -- it can fluctuate, yes.  24 Q. Beyond the control of the company?  25 A. Right. The REC market is -- is -- is, you</p>	<p style="text-align: right;">Page 86</p> <p>1 know, subject to market fluctuations, yes, so it's not  2 something the company can control.  3 Q. But a company that builds might have -- will  4 have more certainty; would you agree with that?  5 A. They do have certainty, yup.  6 MR. SATTERWHITE: All right. That's all I  7 have. Thank you.  8 MR. FISK: Anybody else have questions?  9 MR. MARGARD: No. Thank you.  10 MR. FISK: I'd like --  11 MR. SATTERWHITE: I would say do you have  12 questions for us, Mr. Lyle, but I'm not going to say  13 that.  14 MR. FISK: This is Shannon Fiske. If we could  15 go off the record for a minute, I needed to consult  16 with Tom for one second on something and then determine  17 if we need to go back on the record for something. Is  18 that agreeable to everybody else?  19 (There was a discussion off the record.)  20 MR. FISK: So, Mr. Lyle, I believe you had  21 one -- one portion of your testimony today that you  22 needed to clarify your answer on?  23 THE WITNESS: Yes.  24 MR. FISK: Is that correct?  25 THE WITNESS: Yup. So this issue goes back --</p>
<p style="text-align: right;">Page 87</p> <p>1 you know, goes back to the environmental investment  2 carrying costs rider, Laura.  3 MS. McBRIDE: Yes.  4 THE WITNESS: Page 12, Line 6. I believe  5 early on at some point during the last couple hours you  6 had asked me some questions about whether or not --  7 whether or not the EICCR should be approved if -- if  8 power is being sold off system, and as you can see, I  9 may have misspoken during -- during my testimony.  10 Under -- under the heat of cross-examination, I may  11 have been a little bit confused about what my -- my  12 statements were.  13 So as you can see, one of the criteria that  14 I'm -- I spell out in my testimony, that the AEP should  15 instead demonstrate to the PUCO that power from  16 generating plant is needed to serve local load and is  17 not being sold off system.  18 EXAMINATION  19 BY MS. McBRIDE:  20 Q. Okay. And so if I asked you, then, whether it  21 would be appropriate for AEP to recover under the EICCR  22 if load from the generating plant was being sold off  23 system, what would your answer be?  24 A. The -- well, again, I mean, it's just -- you  25 know, like I was saying here, these are -- I'm assuming</p>	<p style="text-align: right;">Page 88</p> <p>1 that these are much older plants and that any new  2 investments in plants -- making a distinction here, new  3 investments in plant, especially that has to do with  4 environmental controls, should be used and useful for  5 the benefit of -- of local -- locally served customers.  6 Q. And so if -- if the -- if the power is being  7 sold off system, then AEP should not be entitled to  8 recover the costs of those investments through the  9 EICCR; is that correct?  10 A. Well, we're just talking about the EICCR here.  11 Just the carrying charges. I'm strictly limited to the  12 carrying charges.  13 Q. Okay. So --  14 A. So they shouldn't. So they shouldn't recover  15 those carrying charges.  16 Q. Okay. Okay.  17 MR. FISK: That's all I -- that's all we had.  18 If anybody else has any other questions.  19 MS. McBRIDE: No others.  20 MR. SATTERWHITE: No. No more.  21 MR. FISK: Okay.  22 MS. McBRIDE: Thank you, Mr. Lyle. We  23 appreciate your time.  24 (The deposition concluded at 5:15 PM.)  25 (Signature waived.)</p>


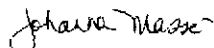
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## CERTIFICATE

I, Johanna Massé, Court Reporter and Notary Public, do hereby certify that the foregoing pages, numbered 4 through 88, inclusive, are a true and accurate transcription of my stenographic notes of the Deposition of Thomas S. Lyle, who was first duly sworn by me, taken before me on Thursday, August 11, 2011, commencing at 2:33 PM, for use in the matter of the Application of Columbus Southern Power Company and Ohio Power Company, Case Nos. 11-0346-EL-SSO and 11-0348-EL-SSO, as to which a transcript was duly ordered.

I further certify that I am neither attorney nor counsel for, nor related to or employed by any of the parties to the action in which this transcript was produced, and further that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

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Comm. expires: 2/10/15

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