

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :
Company and Columbus Power :
Company for Authority to : Case No. 10-2376-EL-UNC
Merge and Related :
Approvals :

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

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

In the Matter of the :
Application of Columbus :
Southern Power Company to : Case No. 10-343-EL-ATA
Amend its Emergency :
Curtailment Service :
Riders. :

In the Matter of the :
Application of Ohio Power :
Company to Amend its : Case No. 10-344-EL-ATA
Emergency Curtailment :
Service Riders. :

In the Matter of the :
Commission Review of the :
Capacity Charges of Ohio : Case No. 10-2929-EL-UNC
Power Company and Columbus :
Southern Power Company. :

1 APPEARANCES:

2 Porter, Wright, Morris & Arthur, LLP
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4 41 South High Street
5 Columbus, Ohio 43215-6194

6 On behalf of the Applicants.

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16 On behalf of FirstEnergy Solutions
17 Corporation.

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23 On behalf of Industrial Energy Users.

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On behalf of the Residential Ratepayers
of Columbus Southern Power Company and
Ohio Power Company.

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1 In the Matter of the :
2 Application of Columbus :
3 Southern Power Company for:
4 Approval of a Mechanism to: Case No. 11-4920-EL-RDR
5 Recover Deferred Fuel :
6 Costs Ordered Under Ohio :
7 Revised Code 4928.144. :

8 In the Matter of the :
9 Application of Ohio Power :
10 Company for Approval of a :
11 Mechanism to Recover : Case No. 11-4921-EL-RDR
12 Deferred Fuel Costs :
13 Ordered Under Ohio Revised:
14 Code 4928.144. :
15 ---

10 DEPOSITION

11 of William A. Allen, taken before me, Karen Sue
12 Gibson, a Notary Public in and for the State of Ohio,
13 at the offices of Porter, Wright, Morris & Arthur,
14 LLP, 41 South High Street, Columbus, Ohio, on
15 Wednesday, September 21, 2011, at 9 a.m.
16 ---

17 ARMSTRONG & OKEY, INC.
18 222 East Town Street, 2nd Floor
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ARMSTRONG & OKEY, INC., Columbus, Ohio (614) 224-9481

1 APPEARANCES: (Continued)

2 Mike DeWine, Ohio Attorney General
3 By William Wright, Section Chief
4 Public Utilities Section
5 Mr. Werner L. Margard, III (via telephone)
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8 Columbus, Ohio 43215-3793
9 On behalf of the staff of the Public
10 Utilities Commission of Ohio.

7 ALSO PRESENT:

8 Mr. Lou D'Alessandris.
9 Ms. Tamara Turkenton (via telephone).
10 Ms. Doris McCarter (via telephone).
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<p>1 INDEX</p> <p>2 ---</p> <p>3 Allen Deposition Exhibit Identified</p> <p>4 1 Interrogatory STIP-FES-INT-17-040</p> <p>5 Response 146</p> <p>6 2 Interrogatory STIP-FES-INT-024</p> <p>7 Response 180</p> <p>8 ---</p> <p>9</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>1 with words as opposed to gestures or refrain from</p> <p>2 using phrases like uh-huh or huh-uh because they</p> <p>3 don't come out very well on the record. Will you do</p> <p>4 that for me?</p> <p>5 A. Yes.</p> <p>6 Q. It's also important that you wait to</p> <p>7 answer my question until I finish my question. Will</p> <p>8 you do this for me as well?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. What did you do to prepare for</p> <p>11 your deposition today?</p> <p>12 A. I reviewed my testimony and the</p> <p>13 stipulation.</p> <p>14 Q. Okay. Anything else?</p> <p>15 A. No.</p> <p>16 Q. Did you meet with counsel?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. So you met with counsel to prepare</p> <p>19 for your deposition.</p> <p>20 A. I met with counsel, yes.</p> <p>21 Q. To prepare for your deposition.</p> <p>22 A. Yes.</p> <p>23 Q. Did you meet with anyone else to prepare</p> <p>24 for your deposition?</p>
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<p>1 Wednesday Morning Session,</p> <p>2 September 21, 2011.</p> <p>3 ---</p> <p>4 WILLIAM A. ALLEN</p> <p>5 being by me first duly sworn, as hereinafter</p> <p>6 certified, deposes and says as follows:</p> <p>7 EXAMINATION</p> <p>8 By Mr. Kutik:</p> <p>9 Q. What is your name?</p> <p>10 A. William A. Allen.</p> <p>11 Q. Mr. Allen, where do you work?</p> <p>12 A. I work for American Electric Power</p> <p>13 Service Corporation at One Riverside Plaza, Columbus,</p> <p>14 Ohio 43215.</p> <p>15 Q. Mr. Allen, have you ever had your</p> <p>16 deposition taken before?</p> <p>17 A. No, I have not.</p> <p>18 Q. My understanding is you have testified</p> <p>19 before.</p> <p>20 A. Yes, I have.</p> <p>21 Q. Well, the rules of a deposition are not</p> <p>22 much different than the rules in testifying. Since</p> <p>23 this is being taken down by a court reporter, you</p> <p>24 need to answer my questions orally and by that I mean</p>	<p>1 A. No.</p> <p>2 Q. When did you meet with counsel?</p> <p>3 A. Yesterday.</p> <p>4 Q. Okay. How long did you meet with</p> <p>5 counsel?</p> <p>6 A. Maybe 20 minutes.</p> <p>7 Q. And when you say you met with counsel,</p> <p>8 who particularly did you meet with?</p> <p>9 A. With Dan Conway and Steve Nourse.</p> <p>10 Q. Okay. Was anyone else in the room?</p> <p>11 A. Joe Hamrock.</p> <p>12 Q. Okay. Anyone else?</p> <p>13 A. No.</p> <p>14 Q. In your prefiled testimony is it correct</p> <p>15 to say that you indicate that part of your current</p> <p>16 responsibilities is oversight for major filings; is</p> <p>17 that correct?</p> <p>18 A. Yes, yes, that's correct.</p> <p>19 Q. What does that mean?</p> <p>20 A. I have a group of case managers that</p> <p>21 report to me, and we develop the major rate filings</p> <p>22 for the seven eastern states that AEP operates in</p> <p>23 including Ohio. As part of that responsibility would</p> <p>24 have been the ESP filing that the company made</p>

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<p>1 earlier this year.</p> <p>2 Q. Is there a case manager for this case?</p> <p>3 A. Yes.</p> <p>4 MR. KUTIK: Let's go off the record.</p> <p>5 (Discussion off the record.)</p> <p>6 Q. Let's go back on the record. Is there a</p> <p>7 case manager for this case?</p> <p>8 A. Yes, there is.</p> <p>9 Q. Who is that?</p> <p>10 A. Pat Lawrence.</p> <p>11 Q. And what does a case manager do?</p> <p>12 A. Ensures that all of the deadlines for the</p> <p>13 case are met, more of a project management role.</p> <p>14 Q. So a case manager wouldn't necessarily be</p> <p>15 someone who would be preparing testimony, in other</p> <p>16 words, to file and to testify?</p> <p>17 A. Correct.</p> <p>18 Q. That case manager would just be someone</p> <p>19 who would make sure that if someone is supposed to be</p> <p>20 filing testimony or writing testimony, they are doing</p> <p>21 their job?</p> <p>22 A. Generally, that's correct.</p> <p>23 Q. Now, when I said this case, there are</p> <p>24 several cases that we're talking about today,</p>	<p>1 A. Largely, yes.</p> <p>2 Q. Would there be someone who would be in</p> <p>3 charge of directing what the substance of the</p> <p>4 company's case would be?</p> <p>5 A. The substance of the company's cases are</p> <p>6 determined by a wide variety of individuals within</p> <p>7 the organization.</p> <p>8 Q. Would there be a point person for that?</p> <p>9 A. Not in all cases, no.</p> <p>10 Q. In this case has there been?</p> <p>11 A. No, there was not a single point person.</p> <p>12 Q. Was it Mr. Hamrock, for example?</p> <p>13 A. Mr. Hamrock was involved in much of the</p> <p>14 decision making but there are other individuals that</p> <p>15 are involved in the decision making around what to</p> <p>16 include in a case.</p> <p>17 Q. Okay. Who else would have been involved</p> <p>18 in decision making as to what to include in this</p> <p>19 case?</p> <p>20 A. It would be a very large number of</p> <p>21 individuals. I don't think I could give you an</p> <p>22 exhaustive list.</p> <p>23 Q. Okay. Are there individuals who are</p> <p>24 testifying in this case who had such a role?</p>
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<p>1 correct?</p> <p>2 A. Correct.</p> <p>3 Q. Was Mr. Lawrence the case manager for all</p> <p>4 of them?</p> <p>5 A. No, he was not.</p> <p>6 Q. Okay. Can you tell me with respect to --</p> <p>7 referring to the caption of this case since you are</p> <p>8 looking at your testimony, can you tell me who the</p> <p>9 case managers were for each of the cases?</p> <p>10 A. To the best of my recollection, the case</p> <p>11 manager for Case No. 10-2376-EL-UNC the case manager</p> <p>12 was Chad Heitmeyer, for Case No. -- for Case No.</p> <p>13 10-346-EL-SSO and Case No. 11-348-EL-SSO Chad</p> <p>14 Heitmeyer -- I'm sorry, Pat Lawrence was the case</p> <p>15 manager for those cases as well as for Case No.</p> <p>16 11-349-EL-AAM, Case No. 11-350-EL-AAM. I do not</p> <p>17 recall who the case manager is for Case No.</p> <p>18 10-343-EL-ATA or Case No. 10-344-EL-ATA. The case</p> <p>19 manager for Case No. 10-2929-EL-UNC was Chad</p> <p>20 Heitmeyer. And there is no case manager for Case No.</p> <p>21 11-4920-EL-RDR or Case No. 11-4921-EL-RDR.</p> <p>22 Q. So when you say that your responsibility</p> <p>23 among others is to have oversight of major filings,</p> <p>24 is it that you are managing the case managers?</p>	<p>1 A. Yes.</p> <p>2 Q. Can you tell me then of the folks who</p> <p>3 testified in this case or who will be testifying in</p> <p>4 this case?</p> <p>5 A. Just to clarify when you say witnesses</p> <p>6 testifying in this case, are you referring to the</p> <p>7 stipulation portion of the case or the case in its</p> <p>8 entirety?</p> <p>9 Q. Well, I was actually referring to both,</p> <p>10 but if you want to break it down, that's fine with</p> <p>11 me.</p> <p>12 A. With -- I think I can answer it for the</p> <p>13 stipulation witnesses. Joe Hamrock, Rich Munczinski,</p> <p>14 myself, those are the ones that come to mind.</p> <p>15 Q. Was there a particular area of the case</p> <p>16 that you had decision making responsibility for?</p> <p>17 A. No.</p> <p>18 Q. Did Ms. Thomas have a decision making</p> <p>19 role?</p> <p>20 A. I think you are going to have to clarify</p> <p>21 what you mean by decision making role.</p> <p>22 Q. Well, I asked you if there were folks</p> <p>23 that were the point persons, and I am assuming when I</p> <p>24 say point person, that person is the one that makes</p>

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1 the ultimate decisions about what's going to be in
2 the case or not; is that a fair definition?

3 A. I think that's your definition.

4 Q. But would you consider that a fair
5 definition?

6 A. I don't know that I would consider it a
7 fair definition.

8 Q. Okay. What would you consider a point
9 person to be when you were -- when you were answering
10 my questions before?

11 A. A single point that would -- a single
12 individual that would make all of the decisions in a
13 case.

14 Q. Okay. You told me earlier, did you not,
15 that there were a variety of people who made
16 decisions or who were part of the decision making
17 process, correct?

18 A. That's correct.

19 Q. And you were one of those people.

20 A. Yes, I was.

21 Q. Was Ms. Thomas one of those people?

22 A. I don't know.

23 Q. Was Mr. Pearce, was he one of those
24 people?

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1 A. No.

2 Q. Were legal counsel some of those people?

3 A. I don't know.

4 Q. Was there a particular area that you were
5 part of the group for in terms of making decisions,
6 particular area of this case?

7 A. I was involved in many of the areas of
8 the case.

9 Q. Would that include the areas of your
10 testimony?

11 A. Not necessarily.

12 Q. Okay. So there would be parts of your
13 testimony that you were not necessarily part of the
14 decision making process.

15 A. That's correct.

16 Q. What part of your testimony were you not
17 part of the decision making process for? Perhaps you
18 might want to look at your index.

19 A. The element of my testimony that I wasn't
20 part of the decision making process would be the
21 segregation of the AER from the FAC.

22 Q. But otherwise you would have been part of
23 the decision making process?

24 A. I would have been part of the decision

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1 making process, not necessarily the final decision
2 maker.

3 Q. Understood. Now, in your testimony you
4 say that you've testified before, correct?

5 A. Yes, that's correct.

6 Q. And you've not testified before the
7 Public Utilities Commission before.

8 A. I have not testified before the Public
9 Utilities Commission of Ohio unless you would
10 consider the discussion that was had before a court
11 reporter earlier this week in front of the Commission
12 testimony.

13 Q. Well, were you sworn?

14 A. No, we were not sworn.

15 Q. Okay. So I guess I would not consider
16 that testimony. It might be a statement, but it's
17 not testimony.

18 A. Right.

19 Q. So with respect to times where you
20 submitted testimony and then testified under oath,
21 can you tell me what prior proceedings that you
22 testified in?

23 A. Generally I describe the cases that I
24 have and jurisdictions I've testified in on page 2 of

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1 my testimony, lines 14 through 20.

2 Q. Can you tell me the specific cases you
3 testified in?

4 A. From my recollection I can't provide the
5 specific case numbers for all the cases that I've
6 testified.

7 Q. Okay. Can you give me a description of
8 the case in terms of what it was about?

9 A. In general on behalf of I&M the testimony
10 that I filed in Indiana and Michigan has dealt with
11 fuel clause related issues including a PJM tracker,
12 an off-system sales tracker, those both in Indiana.
13 In Michigan I was the company's witness for the
14 forecast used in a -- the company's base case filing
15 that was made in early 2010. My responsibilities in
16 that case were the entirety of the forecast for the
17 case.

18 And then before the Virginia, West
19 Virginia Public Utilities Commissions, the West
20 Virginia Public Utilities Commission and the Virginia
21 State Corporation Commission my testimony has focused
22 primarily on fuel clause related cases.

23 Q. And what was the subject of your
24 testimony?

4 (Pages 13 to 16)

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1 A. Forecasted fuel costs and the impact on
2 the fuel clause rates for those jurisdictions.

3 Q. Have you testified on more than one
4 occasion in each of the four jurisdictions that you
5 mentioned, that is, Indiana, Michigan, Virginia, and
6 West Virginia?

7 A. Yes. In aggregate in those cases I've
8 probably provided testimony in 20 plus occasions.

9 Q. And would it be fair to say a large
10 portion of your testimony has dealt with forecasts?

11 A. Yes.

12 Q. Now, your job previous to the job you
13 have now, you were director of operating company
14 forecasts, correct?

15 A. Yes, that's correct.

16 Q. And that was a position within the
17 service company, correct?

18 A. Yes, it was a position with the AEP
19 Service Corporation.

20 Q. Who did you report to as director of
21 operations -- operating company forecasts?

22 A. Oliver Sever.

23 Q. And what was Mr. Sever's position?

24 A. I don't recall his exact title.

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1 Q. Mr. Sever's last name is spelled?

2 A. S-E-V-E-R.

3 Q. Was he also some -- someone who was
4 involved in forecasts?

5 A. Yes.

6 Q. So he had a higher position in the
7 forecasting group?

8 A. Yes.

9 Q. Is there a forecasting department within
10 the service company or corporation?

11 A. No, there is not.

12 Q. When you were director of operating
13 company forecasts, who else reported to Mr. Sever in
14 terms of their titles? I don't want their names,
15 just their titles.

16 A. I don't recall their titles off the top
17 of my head.

18 Q. Okay. Can you give me a division of
19 responsibilities?

20 A. Yes. One of the groups would have been
21 responsible for maintaining our forecast model from
22 more of an IT prospective per se. An additional
23 responsibility would have been the monthly estimate
24 of -- of earnings.

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1 Q. So there would be a group of people that
2 would be responsible for that.

3 A. Not necessarily. There was one
4 individual that was responsible for that under Oliver
5 Sever's department, under his organization. Many
6 individuals from outside the organization provided
7 information to that individual.

8 Q. Okay. What other responsibilities
9 outside of your group were under Mr. Sever?

10 A. To the best of my recollection, that
11 encompasses it.

12 Q. Now, you say in your testimony that prior
13 to being director of operating company forecasts you
14 were in the corporate forecasting department,
15 correct?

16 A. Yes, that's correct.

17 Q. So did you change departments in 2007?

18 A. No, I did not.

19 Q. So was -- as director of operating
20 company forecasts, you had a role in the corporate --
21 in the corporate financing forecasting department?

22 A. No.

23 Q. Okay. Well, I asked you if you changed
24 departments, and you said no, correct?

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1 A. That's correct.

2 Q. So I assume that in 2007 when you were
3 director of operating company forecasts, you were
4 part of the corporate financing forecasting
5 department. Is that wrong?

6 A. That's wrong. I was part of the
7 corporate -- the corporate financial forecasting
8 department.

9 Q. Okay.

10 A. There's a difference between financial
11 and financing, very different.

12 Q. Oh, okay. So as director of operating
13 company forecasts, you were part of the corporate
14 financial forecasting department, correct?

15 A. I don't know if the name of the
16 department changed at that point in time, but I was
17 director of the operating company forecasts in the
18 same department that I had been in previously.

19 Q. All right. So there may have been a name
20 change?

21 A. There may have been, yes.

22 Q. All right. What do you believe the name
23 of the company -- the name of the department was when
24 you became a director?

5 (Pages 17 to 20)

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<p>1 A. I don't recall.</p> <p>2 Q. Okay. What was it when you left the</p> <p>3 department in 2010?</p> <p>4 A. I don't recall.</p> <p>5 Q. All right. Was it just the forecasting</p> <p>6 department?</p> <p>7 A. I never focused on what the title of the</p> <p>8 department was to be honest with you.</p> <p>9 Q. When you left the department, how many</p> <p>10 people were in it?</p> <p>11 A. Under my supervision approximately 12</p> <p>12 individuals.</p> <p>13 Q. Okay. Were you head of the department</p> <p>14 when you left in 2010?</p> <p>15 A. I was director of operating forecasts</p> <p>16 when I left in 2010.</p> <p>17 Q. Were you the head of the department?</p> <p>18 A. I don't know if it would be categorized</p> <p>19 as a department. I was in charge of that group of</p> <p>20 individuals.</p> <p>21 Q. Okay. Well, we indicated there was -- or</p> <p>22 we've agreed there was at some point in time a</p> <p>23 corporate financial forecasting department, correct?</p> <p>24 A. Correct.</p>	<p>1 prepare forecasts?</p> <p>2 A. Yes, it was.</p> <p>3 Q. All right. And were there -- was there</p> <p>4 anyone else outside of your group, I'll start there,</p> <p>5 that had responsibility for preparing the forecasts</p> <p>6 for AEP Ohio?</p> <p>7 A. You are going to have to clarify what you</p> <p>8 mean by preparing the forecasts. Which forecasts are</p> <p>9 you referring to?</p> <p>10 Q. Well, any forecasts for AEP Ohio.</p> <p>11 A. Yes, there would be a variety of people</p> <p>12 responsible for preparing one forecast or another.</p> <p>13 Q. Okay. Were there people outside of</p> <p>14 Mr. Sever's organization that did that?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. Now, were you -- was your</p> <p>17 organization the one that was responsible for putting</p> <p>18 the forecasts together?</p> <p>19 A. My group was responsible for pulling</p> <p>20 together and analyzing the financial forecast of the</p> <p>21 company.</p> <p>22 Q. Okay. There are other types of forecasts</p> <p>23 other than the financial forecasts?</p> <p>24 A. Yes.</p>
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<p>1 Q. That's what you started out in in 2003,</p> <p>2 correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And by 2007, I believe it's your</p> <p>5 testimony that either the name changed or it might</p> <p>6 have slightly changed functions or something like</p> <p>7 that, correct?</p> <p>8 A. Correct.</p> <p>9 Q. But there still was a department,</p> <p>10 correct?</p> <p>11 A. This was an organization. Your</p> <p>12 characterization of whether it's a department or not</p> <p>13 I can't attest to.</p> <p>14 Q. All right. So you don't know whether</p> <p>15 there was a department or not; is that what your</p> <p>16 testimony is?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. Were there other folks other than</p> <p>19 the folks that worked for Mr. Sever that were</p> <p>20 responsible for preparing forecasts for AEP Ohio?</p> <p>21 A. Can you define what you mean by preparing</p> <p>22 forecasts?</p> <p>23 Q. Well, was it part of your job when you</p> <p>24 were director of operating company forecasts to</p>	<p>1 Q. Okay. What other types of forecasts are</p> <p>2 there?</p> <p>3 A. There's an enormous number of forecasts</p> <p>4 that are prepared, some financial, some not</p> <p>5 financial.</p> <p>6 Q. So the company prepares an enormous</p> <p>7 number of forecasts; is that correct?</p> <p>8 A. The company prepares an enormous number</p> <p>9 of forecasts on a variety of topics, yes.</p> <p>10 Q. Okay. Forecasting is an important part</p> <p>11 of the company's business, correct, in running its</p> <p>12 business?</p> <p>13 A. I don't know if I would -- I guess</p> <p>14 forecasting would be a component of running a</p> <p>15 company, yes.</p> <p>16 Q. Right. And certainly given the fact they</p> <p>17 do an enormous number of forecasts, folks in running</p> <p>18 the business would be relying on those forecasts,</p> <p>19 correct?</p> <p>20 A. They would be relying on some of the</p> <p>21 forecasts that are done.</p> <p>22 Q. Okay. Would you expect that the</p> <p>23 forecasts that were done by your group when you were</p> <p>24 director would be forecasts that -- that others</p>

<p style="text-align: right;">Page 25</p> <p>1 within AEP could rely on in running their businesses?</p> <p>2 A. The financial forecasts that were</p> <p>3 prepared by my organization were relied upon by</p> <p>4 management in making decisions about running the</p> <p>5 organization, yes.</p> <p>6 Q. Okay. AEP devoted resources to making</p> <p>7 sure that forecasts were done so that the businesses</p> <p>8 could be run, correct?</p> <p>9 MR. CONWAY: Could I have that question</p> <p>10 read back, please.</p> <p>11 (Question read.)</p> <p>12 A. I know the company devoted resources to</p> <p>13 forecasting. There is a variety of reasons. I don't</p> <p>14 know why the corporation made that decision.</p> <p>15 Q. Okay. You would expect that a forecast</p> <p>16 would be done for a purpose, correct?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. And one of the purposes forecasts</p> <p>19 are typically done are so people can plan future</p> <p>20 operation, correct?</p> <p>21 A. Some forecasts are done so that</p> <p>22 individuals can make plans for future decisions, yes.</p> <p>23 Q. Okay. And you would expect that the</p> <p>24 forecast that you were responsible for would be part</p>	<p style="text-align: right;">Page 27</p> <p>1 separate forecasts, and in other cases I would not.</p> <p>2 Q. Okay. Tell me which ones you would</p> <p>3 recognize as a forecast.</p> <p>4 A. Load and demand forecast, a generation</p> <p>5 forecast, the O&M forecast, and the financing plan.</p> <p>6 Q. How about the construction expenditure</p> <p>7 forecast, would that be a forecast?</p> <p>8 A. It's a portion of a financial forecast.</p> <p>9 A construction expenditure forecast cannot be</p> <p>10 developed independent of an entire financial forecast</p> <p>11 due to the interrelationship between a financial</p> <p>12 forecast and the AFDC component of a construction</p> <p>13 expenditure forecast.</p> <p>14 Q. Okay. Would, even of these forecasts</p> <p>15 that you just mentioned, the load and demand</p> <p>16 forecast, the generation forecast, the O&M forecast,</p> <p>17 and the financial plan be developed by the department</p> <p>18 that you ran when you were director of operating</p> <p>19 company forecasts?</p> <p>20 A. I'm sorry. Can you repeat that list,</p> <p>21 please?</p> <p>22 MR. KUTIK: Can you read the question,</p> <p>23 please.</p> <p>24 (Question read.)</p>
<p style="text-align: right;">Page 26</p> <p>1 of that process, correct?</p> <p>2 A. Some of the forecasts I prepared were</p> <p>3 used for that purpose, yes.</p> <p>4 Q. Let me have you turn to your Exhibit</p> <p>5 WAA-5.</p> <p>6 A. Okay.</p> <p>7 Q. Okay. This is a document entitled</p> <p>8 "Methodologies, Assumptions, and Pro Forma Financial</p> <p>9 Projections," correct?</p> <p>10 A. Yes, that's correct.</p> <p>11 Q. In the beginning of this discussion,</p> <p>12 pages 1 through 4, you describe six or seven</p> <p>13 forecasts, do you not?</p> <p>14 A. I describe seven elements of the</p> <p>15 forecast.</p> <p>16 Q. Okay.</p> <p>17 A. Of a financial forecast.</p> <p>18 Q. So each one of these things would be --</p> <p>19 mentioned would be part of a financial forecast.</p> <p>20 A. Each of these would be elements in the</p> <p>21 development of a financial forecast, yes.</p> <p>22 Q. Okay. You would not view these as</p> <p>23 separate forecasts.</p> <p>24 A. In some cases I would recognize them as</p>	<p style="text-align: right;">Page 28</p> <p>1 A. No, they would not.</p> <p>2 Q. Would any of them be?</p> <p>3 A. No, they would not.</p> <p>4 Q. Okay. Who or what group prepared the</p> <p>5 load and demand forecast?</p> <p>6 A. I don't know the title of the</p> <p>7 organization that provided that -- that provides that</p> <p>8 information.</p> <p>9 Q. Would it have been someone that reports</p> <p>10 to Mr. Sever?</p> <p>11 A. That group currently reports to</p> <p>12 Mr. Sever.</p> <p>13 Q. Approximately how many people are in that</p> <p>14 group?</p> <p>15 A. To my best recollection approximately 10.</p> <p>16 Q. And this is a separate group that deals</p> <p>17 with load and demand forecasts.</p> <p>18 A. It's a separate group from the group that</p> <p>19 I was responsible for, yes.</p> <p>20 Q. Okay. The generation forecast, who</p> <p>21 prepares that?</p> <p>22 A. As indicated on page 2, it's developed by</p> <p>23 the commercial operations division, the resource</p> <p>24 planning and operational analysis department.</p>

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1 Q. Were either one of those -- did either
2 one of those report to Mr. Sever?
3 A. No, they did not.
4 Q. How many people were in the resource
5 planning and operational analysis department?
6 A. I don't know.
7 Q. More than 10?
8 A. Possibly.
9 Q. The O&M forecast, who prepares that?
10 A. The O&M forecast is prepared by a variety
11 of individuals throughout the organization.
12 Q. Whose responsible for putting it
13 together?
14 A. There are different individuals
15 responsible for pulling it together at different
16 steps in the process.
17 Q. Okay. Can you describe where those folks
18 are in the organization?
19 A. Specifically related to AEP Ohio some of
20 the individuals would be -- would be Joe Hamrock for
21 reviewing the O&M forecast. There would be
22 individuals within the corporate planning and
23 budgeting organization that would be responsible for
24 reviewing the O&M forecast. And then there would be

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1 individuals within my group that would also be
2 responsible for -- within my previous group that
3 would also be responsible for the reviewing the O&M
4 forecast.
5 Q. The corporate planning and budget
6 organization, did that report to Mr. Sever?
7 A. No. He was within that organization.
8 Q. Okay. Were you also within that
9 organization then?
10 A. Yes, I was.
11 Q. Okay. How many people were in that
12 organization?
13 A. I don't recall.
14 Q. Okay. 80 sound like a rough number?
15 A. I don't recall.
16 Q. Okay. More than 10?
17 A. Yes.
18 Q. More than 100?
19 A. I don't know.
20 Q. More than 50?
21 A. I believe so.
22 Q. The financing plan would that have been
23 done within the corporate planning and budgeting
24 organization?

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1 A. Partially.
2 Q. With input from others in the operating
3 groups, for example?
4 A. No, not the operating groups.
5 Q. Okay. In treasury or financing, the
6 financial types?
7 A. Within the treasury department, yes.
8 Q. And I assume with respect to the O&M
9 forecast folks from the operating groups would be --
10 have input into that document or that product?
11 A. Yes.
12 Q. Now, you said that you were responsible
13 for putting together a financial forecast when you
14 were director of operating company forecasts,
15 correct?
16 A. That's correct.
17 Q. How often did that take place?
18 A. It varied over time.
19 Q. Okay. When you were between 2007 and
20 2010, did it vary over time, or was there a regular
21 frequency of those forecasts?
22 A. During that period financial forecasts
23 were generally developed on a quarterly basis.
24 Q. And how far out would these forecasts go?

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1 A. It varied.
2 Q. Okay. From what to what?
3 A. From less than a year to 10 years or
4 more.
5 Q. How often were the 10 years or more
6 forecasts done? And, again, during the three-year
7 period that you were director.
8 A. The longer-term forecasts were typically
9 done once or twice a year.
10 Q. Did you have any involvement at all in
11 the construction expenditure forecasts?
12 A. Which construction expenditure forecasts?
13 Q. Well, you refer on page 3 of your Exhibit
14 WAA-5 to something called a "Construction Expenditure
15 Forecast." Did you have any involvement when you
16 were director in that?
17 A. I don't think I can answer your question
18 as phrased.
19 Q. Why not?
20 A. I don't know which forecast you are
21 referring to.
22 Q. Whatever you are referring to in No. 6.
23 A. Item 6 is a single sequence within an
24 individual financial forecast.

8 (Pages 29 to 32)

<p style="text-align: right;">Page 33</p> <p>1 Q. Okay. Are there capital forecasts done?</p> <p>2 A. Yes, there are.</p> <p>3 Q. Okay. When you were director, did you</p> <p>4 have responsibility for the construction expenditure</p> <p>5 forecasts? Did you have responsibility for doing</p> <p>6 those?</p> <p>7 A. I would have had input into the</p> <p>8 construction expenditure forecast, yes.</p> <p>9 Q. Okay. With respect to that construction</p> <p>10 expenditure forecast that you just mentioned, would</p> <p>11 part of that be to budget the cost of new plants?</p> <p>12 A. Within a construction expenditure</p> <p>13 forecast the projected capital expenditures</p> <p>14 associated with a new plant would be included in</p> <p>15 that, yes.</p> <p>16 Q. And for other new projects that would</p> <p>17 be -- would involve construction, correct? Those</p> <p>18 would also be part of that.</p> <p>19 A. The expenditures associated with</p> <p>20 construction projects are included in the</p> <p>21 construction expenditure forecast.</p> <p>22 Q. Was there something called a capital</p> <p>23 budget?</p> <p>24 A. People refer to the construction</p>	<p style="text-align: right;">Page 35</p> <p>1 A. No, that's not my testimony.</p> <p>2 Q. Well, did the company make plans for</p> <p>3 different -- different financial plans for different</p> <p>4 contingencies?</p> <p>5 A. Yes.</p> <p>6 Q. And were you part of that process?</p> <p>7 A. Yes.</p> <p>8 Q. And what role did you play?</p> <p>9 A. My role was developing and evaluating</p> <p>10 financial forecasts based on those different</p> <p>11 scenarios that may have been requested by management.</p> <p>12 Q. Okay. Can you give me an example of a</p> <p>13 plan, financial plan, and analyze different scenarios</p> <p>14 depending on the outcome of future events?</p> <p>15 A. I can't think of a specific example off</p> <p>16 the top of my head, but hypothetically different</p> <p>17 scenarios may be done under different assumptions</p> <p>18 related to environmental regulations.</p> <p>19 Q. So that the company if there are -- if</p> <p>20 certain environmental regulations are promulgated,</p> <p>21 the company would have one financial plan, and if the</p> <p>22 regulations come in a different way, it might be a</p> <p>23 different financial plan; is that what you mean?</p> <p>24 A. Potentially.</p>
<p style="text-align: right;">Page 34</p> <p>1 expenditure forecast at times as a capital budget.</p> <p>2 Q. Okay.</p> <p>3 A. But not all construction expenditure</p> <p>4 forecasts are capital budgets.</p> <p>5 Q. Okay. With respect to the -- either the</p> <p>6 construction expenditure forecast or the capital</p> <p>7 budget, would there -- would there be perhaps</p> <p>8 different scenarios budgeted depending upon the</p> <p>9 outcome of future events?</p> <p>10 A. Not necessarily.</p> <p>11 Q. But sometimes?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. So that there would be a capital</p> <p>14 or construction expenditure budget that would follow</p> <p>15 one contingency and a capital or construction</p> <p>16 expenditure budget that would follow potentially</p> <p>17 another contingency?</p> <p>18 A. No.</p> <p>19 Q. Well, were -- were plans such as that</p> <p>20 developed within your organization that you know of?</p> <p>21 A. Not that I'm aware of.</p> <p>22 Q. Okay. So that the company didn't make</p> <p>23 financial plans for different contingencies; is that</p> <p>24 your testimony?</p>	<p style="text-align: right;">Page 36</p> <p>1 MR. KUTIK: Let's go off the record.</p> <p>2 (Discussion off the record.)</p> <p>3 Q. When the company is looking to -- looking</p> <p>4 at potential projects, were you involved in the</p> <p>5 forecasts relating to those projects?</p> <p>6 A. You will have to refer me to a specific</p> <p>7 project.</p> <p>8 Q. Okay. Well, I don't know all the</p> <p>9 projects the company was considering. That's pretty</p> <p>10 hard for me to do but let me try it a different way.</p> <p>11 In making decisions about what capital projects to</p> <p>12 fund, did the company prepare forecasts with respect</p> <p>13 to those projects -- different projects and then</p> <p>14 compare them in some way?</p> <p>15 A. For significant projects the company</p> <p>16 would have compared financial estimates of those</p> <p>17 projects.</p> <p>18 Q. And would part of the estimates include</p> <p>19 an estimated rate of return on a project?</p> <p>20 A. In certain cases, yes.</p> <p>21 Q. And would it be the case, for example,</p> <p>22 the company might look at two potential projects and</p> <p>23 compare rates of return as one of the decision making</p> <p>24 factors in figuring out which projects to do and</p>

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<p>1 when?</p> <p>2 A. In some cases, yes.</p> <p>3 Q. And were you part of that process?</p> <p>4 A. Not on a regular basis.</p> <p>5 Q. But sometimes.</p> <p>6 A. On occasion, yes.</p> <p>7 Q. Now, you said that you testified in -- on</p> <p>8 several occasions in fuel clause matters.</p> <p>9 A. Yes.</p> <p>10 Q. Am I correct?</p> <p>11 A. That's correct.</p> <p>12 Q. And a lot of your testimony dealt with</p> <p>13 forecasting of fuel costs, correct?</p> <p>14 A. Yes, that's correct.</p> <p>15 Q. Was that something that you regularly did</p> <p>16 or your group regularly did when you were director?</p> <p>17 A. Yes.</p> <p>18 Q. How often would a fuel forecast be done?</p> <p>19 A. It would vary but typically a fuel</p> <p>20 forecast would be prepared on a quarterly basis</p> <p>21 consistent with the financial forecast the company</p> <p>22 was preparing.</p> <p>23 Q. And typically how far out would the fuel</p> <p>24 forecast go?</p>	<p>1 forecast of three or more years be prepared to the</p> <p>2 best of your knowledge?</p> <p>3 A. As I previously indicated, it varies</p> <p>4 based upon the needs of the organization.</p> <p>5 Q. Could they be done quarterly?</p> <p>6 A. There have been times in the past when</p> <p>7 they have been done quarterly.</p> <p>8 Q. Did you have any role in the negotiation</p> <p>9 of the stipulation in this case?</p> <p>10 A. Yes, I did.</p> <p>11 Q. What was your role?</p> <p>12 A. I had a variety of roles.</p> <p>13 Q. Well, tell me what those roles were.</p> <p>14 A. Evaluating the impact of various</p> <p>15 provisions in the settlement from a financial and</p> <p>16 implementation perspective.</p> <p>17 Q. Anything else?</p> <p>18 A. I think generally that was my role within</p> <p>19 the negotiations.</p> <p>20 Q. Okay. What does it mean that you</p> <p>21 evaluated the impact of provisions in the settlement</p> <p>22 from an implementation perspective?</p> <p>23 A. I would look at those provisions to make</p> <p>24 sure they were something that the company had</p>
Page 38	Page 40
<p>1 A. It would vary depending upon the needs at</p> <p>2 that point in time --</p> <p>3 Q. From what to what?</p> <p>4 A. Anywhere from between 1 and 2 years and</p> <p>5 10 plus years.</p> <p>6 Q. Okay. Were financial forecasts of three</p> <p>7 years or more fairly common? Excuse me. Were</p> <p>8 forecasts of more -- of three or more years with</p> <p>9 respect to fuel costs fairly common?</p> <p>10 A. You will have to clarify what you mean by</p> <p>11 fairly common.</p> <p>12 Q. Regularly.</p> <p>13 A. Can you tell me what you mean by</p> <p>14 "regularly"?</p> <p>15 Q. Done at least once a year.</p> <p>16 A. Yes.</p> <p>17 Q. Was it done where -- were fuel forecasts</p> <p>18 cost -- fuel costs forecasts of three years or more</p> <p>19 done more than once a year?</p> <p>20 A. Typically, yes.</p> <p>21 Q. And do you know whether that's still the</p> <p>22 case?</p> <p>23 A. Yes, it's still the case.</p> <p>24 Q. How often during a year would a fuel</p>	<p>1 adequate data to implement, from a process</p> <p>2 perspective something the company could accommodate.</p> <p>3 Q. In other words, something the company</p> <p>4 could actually get done.</p> <p>5 A. Generally, yes.</p> <p>6 Q. Okay. So that was part of your job is to</p> <p>7 look at some aspects of the stipulation to determine</p> <p>8 whether they were feasible in terms of being able to</p> <p>9 get done.</p> <p>10 A. Yes.</p> <p>11 Q. Is that what you meant earlier by looking</p> <p>12 at evaluating the impact from an implementation</p> <p>13 perspective?</p> <p>14 A. Yes, that's correct.</p> <p>15 Q. Now, were there particular provisions of</p> <p>16 this settlement that you looked at with respect to</p> <p>17 the impact from a financial perspective?</p> <p>18 A. Yes.</p> <p>19 Q. Which were those? Are you looking at the</p> <p>20 stipulation now?</p> <p>21 A. Yes, I am. Generally I looked at all of</p> <p>22 the elements of the stipulation that had a financial</p> <p>23 impact that was -- that could be estimated while we</p> <p>24 were preparing the stipulation.</p>

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<p>1 Q. Okay. Were there any parts of the</p> <p>2 stipulation that could not be estimated?</p> <p>3 A. Yes.</p> <p>4 Q. Tell me which ones.</p> <p>5 A. The earnings impact of the GRR could not</p> <p>6 be estimated as part of the stipulation process.</p> <p>7 Q. Anything else?</p> <p>8 A. The pool modification was not estimated.</p> <p>9 Q. Anything else?</p> <p>10 A. The customer-sited resources were not</p> <p>11 estimated.</p> <p>12 Q. Anything else?</p> <p>13 A. The impact of the emergency curtailment</p> <p>14 service riders.</p> <p>15 MR. KUTIK: Let's go off the record.</p> <p>16 (Discussion off the record.)</p> <p>17 Q. Anything else, sir?</p> <p>18 A. To the time best of my recollection,</p> <p>19 those were the provisions that were not estimated.</p> <p>20 Q. Okay. So is it correct to say that the</p> <p>21 provisions that were not estimated with respect to</p> <p>22 their financial impact were the GRR, the pool</p> <p>23 modification determination, customer-sited resources,</p> <p>24 and the emergency curtailment?</p>	<p>1 any at this point done with respect to potential</p> <p>2 level or amount of that charge, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And you said that was not done, correct?</p> <p>5 A. No estimate has been completed, that's</p> <p>6 correct.</p> <p>7 Q. And you said that earlier, did you not,</p> <p>8 that it was not possible to do that, correct?</p> <p>9 A. No, I did not say it was not possible.</p> <p>10 Q. Okay. So would it be possible to</p> <p>11 estimate the amount of a GRR charge at this time?</p> <p>12 A. No, it would not.</p> <p>13 Q. So it would be or would not be possible?</p> <p>14 A. It would not be possible to calculate at</p> <p>15 this time.</p> <p>16 Q. Okay. Why not?</p> <p>17 A. The company has not prepared an estimate</p> <p>18 of the cost of the facilities that would be included</p> <p>19 within the GRR.</p> <p>20 Q. Okay. Do you know whether a -- any</p> <p>21 estimate of revenue requirement for the Turning Point</p> <p>22 Project has been prepared?</p> <p>23 A. It's my understanding a revenue</p> <p>24 requirement has been prepared associated with the</p>
Page 42	Page 44
<p>1 A. To the best of my recollection, yes,</p> <p>2 that's correct.</p> <p>3 Q. And as far as you know, the financial</p> <p>4 impact of all the other provisions were analyzed by</p> <p>5 you or someone else within AEP?</p> <p>6 A. To the best of my recollection, those</p> <p>7 other provisions were included in the financial</p> <p>8 analysis of the settlement proposal, yes.</p> <p>9 Q. Now, I want to talk to you a little bit</p> <p>10 about the rider GRR. You are familiar with that,</p> <p>11 correct?</p> <p>12 A. Yes, I am.</p> <p>13 Q. Is that proposed to be a</p> <p>14 generation-related charge?</p> <p>15 A. It's intended to be a nonbypassable</p> <p>16 rider.</p> <p>17 Q. Is it intended to be a generation-related</p> <p>18 charge?</p> <p>19 A. I think that's a legal conclusion that I</p> <p>20 can't make here today.</p> <p>21 Q. So you can't tell me whether it's a</p> <p>22 generation-related charge, fair to say?</p> <p>23 A. Yes, I think that was my answer.</p> <p>24 Q. And you have not -- there has not been</p>	<p>1 Turning Point facility.</p> <p>2 Q. Would that be something that could be</p> <p>3 used for an estimate of the GRR charge?</p> <p>4 A. No.</p> <p>5 Q. Why not?</p> <p>6 A. The Commission has yet to approve the</p> <p>7 Turning Point Solar Facility for inclusion within the</p> <p>8 GRR.</p> <p>9 Q. But in terms of trying to understand at</p> <p>10 least some of the impact of the GCR, one could use</p> <p>11 the revenue requirement from the Turning Point</p> <p>12 Project that's been developed already, correct?</p> <p>13 A. No.</p> <p>14 Q. Why not?</p> <p>15 A. As I indicated previously, the Turning</p> <p>16 Point facility has not been approved for inclusion in</p> <p>17 the GRR by the Commission.</p> <p>18 Q. Well, wouldn't you want -- wouldn't</p> <p>19 anyone -- wouldn't it be reasonable to try to figure</p> <p>20 out what the GRR might cost prior to the Commission</p> <p>21 approval of it?</p> <p>22 A. No.</p> <p>23 Q. Okay. Do you know whether there is an</p> <p>24 estimate within the company of an in-service date for</p>

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1 the Turning Point Project?
 2 A. I believe there is.
 3 Q. Do you know what that is?
 4 A. I do not.
 5 Q. Do you know whether the estimate of --
 6 the estimated in-service date is within the proposed
 7 ESP period?
 8 A. I do not.
 9 Q. Is there a witness whose testifying on
 10 behalf of AEP in support of the stipulation who would
 11 know?
 12 A. I don't know.
 13 Q. Do you know who AEP Ohio envisions would
 14 own the Turning Point facility?
 15 A. No, I do not know.
 16 Q. So you can't say whether that facility
 17 would be owned by AEP Ohio or some other entity?
 18 A. That's correct.
 19 Q. Do you know whether the ownership of the
 20 Turning Point Project -- well, back up.
 21 Is it the company's intent to build the
 22 Turning Point project before its potential cost
 23 recovery through GRR is adopted?
 24 A. I don't know.

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1 Q. So you don't know whether approval of the
 2 Turning Point Project and its costs within the GRR is
 3 a condition of the company going forward with that
 4 project?
 5 A. That's correct. I do not know.
 6 Q. Is it your understanding that by
 7 approving the stipulation the Commission is agreeing
 8 to have the Turning Point Project be an asset whose
 9 costs can be recovered through the GRR?
 10 THE WITNESS: Can you repeat the
 11 question, please?
 12 (Question read.)
 13 A. As indicated on page 6 of the
 14 stipulation, the company has agreed to only pursue
 15 the approval of the Turning Point and MR6 Project
 16 under the GRR during the term of the ESP.
 17 Q. But the Commission is not approving the
 18 GRR as appropriate to be recovered under the GRR at
 19 this point, are they?
 20 MR. CONWAY: Could you read that question
 21 back, please?
 22 (Question read.)
 23 MR. KUTIK: I'm sorry. Thank you.
 24 Q. The Commission is not approving the

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1 Turning Point Project as something that's appropriate
 2 to be recovered in terms of costs through the GRR at
 3 this point, correct?
 4 A. My understanding is that this is a
 5 separate proceeding where the Commission will
 6 determine whether or not the Turning Point facility
 7 would be included in the GCR.
 8 Q. So they are not doing that now, correct?
 9 That is, the Commission.
 10 A. My lay view is the Commission is -- in
 11 approving the GRR is limiting the projects that can
 12 be included within the GRR. Those two projects that
 13 could potentially be included based on a subsequent
 14 Commission order would be limited to the Turning
 15 Point and the MR6 project and potentially the
 16 customer-sited facilities described elsewhere in the
 17 settlement document.
 18 Q. Well, the limitation with respect to
 19 what's going to be in the GRR during the ESP is a
 20 limitation that AEP agreed to, correct?
 21 A. It's a limitation included within the
 22 stipulation.
 23 Q. AEP agreed to that, correct?
 24 A. AEP was a signatory of the stipulation

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1 and recommendation.
 2 Q. So the answer is yes.
 3 A. I think my answer stands.
 4 Q. AEP agreed to that, correct?
 5 MR. CONWAY: I think he said he answered
 6 the question.
 7 MR. KUTIK: Well, I am trying to
 8 understand why he can't answer yes to that question.
 9 Q. Is there something that you need to
 10 explain about an answer, a yes answer?
 11 A. I think it's a legal question about
 12 whether the company agreed to limit that. What the
 13 company did is signed the stipulation and
 14 recommendation.
 15 Q. So you are not --
 16 MR. CONWAY: Do you want me to give him
 17 my opinion on it?
 18 MR. KUTIK: No.
 19 MR. CONWAY: No.
 20 MR. KUTIK: Not yet. You will have your
 21 opportunity.
 22 Q. Is it your understanding the company
 23 agreed to that?
 24 MR. CONWAY: I'll object. He's already

12 (Pages 45 to 48)

Page 49	Page 51
<p>1 answered the question.</p> <p>2 Q. Is it your understanding?</p> <p>3 A. It's my understanding that the company</p> <p>4 signed the stipulation and recommendation.</p> <p>5 Q. Right. The company wouldn't sign</p> <p>6 something they didn't agree to, correct?</p> <p>7 A. I think page 30 of the stipulation</p> <p>8 agreement states that "The Signatory Parties have</p> <p>9 agreed to the above-described process to be followed</p> <p>10 in recognition of the unique circumstances involved."</p> <p>11 Q. So it agreed to it, correct?</p> <p>12 A. I don't know that I can make that</p> <p>13 conclusion.</p> <p>14 Q. All right. Very good. By approving the</p> <p>15 stipulation is it your understanding that the</p> <p>16 Commission would be approving anything about who</p> <p>17 would own the Turning Point Project?</p> <p>18 A. I don't know.</p> <p>19 Q. Okay. By approving the stipulation is</p> <p>20 the Commission agreeing to anything regarding the</p> <p>21 prudence of the Turning Point Project?</p> <p>22 A. It's my understanding that that would be</p> <p>23 addressed in a separate proceeding.</p> <p>24 Q. So they are not going to be reviewing</p>	<p>1 A. I don't know.</p> <p>2 Q. Is there any witness whose going to be</p> <p>3 testifying on behalf of AEP who would know?</p> <p>4 A. I don't know.</p> <p>5 Q. Let me talk to you now about the MR6</p> <p>6 project.</p> <p>7 A. Okay.</p> <p>8 Q. Is it the case that the company has not</p> <p>9 prepared an estimate of the potential cost of that</p> <p>10 project?</p> <p>11 A. That's my understanding, yes.</p> <p>12 Q. Does the company have an intention as to</p> <p>13 the size of that project in terms of megawatts?</p> <p>14 A. To the best of my knowledge, the company</p> <p>15 does have a general indication of the size that</p> <p>16 project may be.</p> <p>17 Q. And I'm gathering from the quizzical look</p> <p>18 on your face that you couldn't tell me what that</p> <p>19 projected size or megawattage is.</p> <p>20 A. I cannot.</p> <p>21 Q. Does the company intend to seek recovery</p> <p>22 of CWIP with respect to that MR6 project?</p> <p>23 A. I don't know.</p> <p>24 Q. Is there an estimated in-service date for</p>
Page 50	Page 52
<p>1 that now, correct, as part of this proceeding?</p> <p>2 A. That's my understanding.</p> <p>3 Q. Okay. What is the company's intent in</p> <p>4 terms of what will happen with the power that's</p> <p>5 generated from the Turning Point Project?</p> <p>6 A. I don't know.</p> <p>7 Q. Is there an entity other than AEP that is</p> <p>8 going to own the project during its construction?</p> <p>9 I'm talking about the Turning Point Project.</p> <p>10 A. I don't know.</p> <p>11 Q. Are you familiar with an outfit called</p> <p>12 ISOFOTON?</p> <p>13 A. No, I am not.</p> <p>14 Q. Do you know what -- whether there are any</p> <p>15 negotiations between ISOFOTON and anyone connected to</p> <p>16 the Turning Point Project that are still ongoing at</p> <p>17 this time?</p> <p>18 THE WITNESS: Can you repeat the</p> <p>19 question?</p> <p>20 (Question read.)</p> <p>21 A. I don't know.</p> <p>22 Q. Do you know whether negotiations with</p> <p>23 respect to the construction of the Turning Point</p> <p>24 Project are completed?</p>	<p>1 that project?</p> <p>2 A. Not that I'm aware of.</p> <p>3 Q. So you don't know whether the in-service</p> <p>4 date would be within the period of the proposed ESP?</p> <p>5 A. I do not know, that's correct.</p> <p>6 Q. Do you know what the intent is as to who</p> <p>7 would own the MR6 plant?</p> <p>8 A. No.</p> <p>9 Q. You don't know?</p> <p>10 A. I do not know.</p> <p>11 Q. Do you know whether the company intends</p> <p>12 to seek approval of cost recovery prior to</p> <p>13 implementing any construction of that project?</p> <p>14 A. I don't know.</p> <p>15 Q. In other words, you don't know whether</p> <p>16 Commission approval of cost recovery of that project</p> <p>17 is contingent -- excuse me, whether construction of</p> <p>18 that project is contingent upon Commission approval</p> <p>19 of cost recovery of that project, fair to say?</p> <p>20 A. Yes, that's correct.</p> <p>21 Q. Do you know whether the company plans to</p> <p>22 competitively bid the construction of the MR6</p> <p>23 project?</p> <p>24 A. I don't know.</p>

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1 Q. Do you know whether the process to begin
2 soliciting for vendors or contractors to build that
3 plant has begun?

4 A. I do not know.

5 Q. Is there anyone who is testifying on
6 behalf of AEP in this case who would know?

7 A. I don't know.

8 Q. Is it the case that the MR5 plan is
9 slated to be closed?

10 A. All power plants have an expected closure
11 date.

12 Q. Okay. Is it the case that the MR5 plant
13 is slated for closure during the ESP period, the
14 proposed ESP period?

15 A. I don't know that to be true.

16 Q. You don't know one way or the other?

17 A. That's correct.

18 Q. Okay. I just want to make sure that
19 you're saying that was not true; you just don't know
20 at all, correct?

21 A. Correct.

22 Q. Do you know whether the company plans
23 to -- that if that plant is closed during the ESP
24 period, whether it intends to recover those costs

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1 through the GRR?

2 A. The company would make a separate filing
3 for any costs that would be included in the GRR
4 related to the Muskingum River 6 project consistent
5 with the statute dealing with dedicated generation
6 resources.

7 Q. Okay. Would the closure of the MR5 plant
8 be part of the construction of the MR6 plant?

9 A. The statute provides for recovery of
10 retirement costs, but the company has yet to make a
11 determination about whether or not those -- whether
12 or not the retirement of the Muskingum River 5 plant
13 would necessarily be incorporated within a filing of
14 the Muskingum 6 plant.

15 Q. Okay. So it is possible that the
16 closure -- the costs related to the closure of the
17 MR5 plant would be considered to be construction
18 costs of the MR6 plant?

19 A. I don't know.

20 Q. It's possible?

21 A. I don't know that they would be included
22 in the construction expenditures.

23 Q. Okay. So would it be fair to say that
24 the company would not be seeking recovery of the

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1 closure costs relating to the MR5 plant through the
2 GRR during the proposed ESP period?

3 A. No, that's not my statement.

4 Q. Okay. So it could be that the closure
5 costs for MR5 could be sought to be recovered during
6 the ESP period through the GRR.

7 A. Yes. And that would happen through a
8 separate filing before the Commission.

9 Q. Do you know whether there are other
10 plants that are subject to likely closure during the
11 ESP -- proposed ESP period?

12 MR. CONWAY: I'm sorry. Could you read
13 that back.

14 Q. Let me just restate it. Do you know
15 whether AEP Ohio has other plants that are currently
16 slated for closure during the proposed ESP period?

17 A. With regard to Sporn 5 the expectation is
18 that plant would be closed prior to the end of the
19 next ESP period, if not before the beginning of
20 the -- that ESP period.

21 Q. I'm sorry, you said Sporn?

22 A. Sporn 5.

23 Q. Okay. Thank you. Go ahead.

24 A. With regard to other plants within the

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1 generation fleet of AEP Ohio I'm not aware of what
2 their closure dates are in relation to the ESP
3 period.

4 Q. Does the company believe that it can
5 recover the costs of those plant closures through the
6 GRR during the proposed ESP period?

7 MR. CONWAY: Objection to the form of the
8 question as to the word "those."

9 Q. We'll say does the company believe that
10 it can recover the costs of the closure of Sporn 4
11 and 5 through the GRR during the proposed ESP period?

12 A. No.

13 Q. Is there any part of the stipulation that
14 would allow AEP to recover those costs?

15 A. Once again, if you are referring to the
16 Sporn 4 and 5 that you just indicated, no.

17 Q. So if the company wanted to recover those
18 costs, they would have to file separately for those.

19 A. And, in fact, the company has already
20 filed for the recovery of costs related to Sporn 5.

21 Q. Does AEP keep track of revenue generated
22 by plant?

23 A. No.

24 Q. Does the company currently have systems

14 (Pages 53 to 56)

<p style="text-align: right;">Page 57</p> <p>1 in place that would allow that to happen?</p> <p>2 A. I don't believe so.</p> <p>3 Q. As part of your role in reviewing the</p> <p>4 feasibility of the implementation of a stipulation,</p> <p>5 did you determine whether the company could keep</p> <p>6 track of revenue by plant?</p> <p>7 A. No.</p> <p>8 Q. Do you know whether anyone from AEP did</p> <p>9 that?</p> <p>10 A. I don't know.</p> <p>11 Q. With respect to how the GRR is intended</p> <p>12 to work, is it the company's recommendation that the</p> <p>13 costs that were -- that would be sought to be</p> <p>14 recovered through that rider would be subject to an</p> <p>15 audit?</p> <p>16 A. That would be subject to a future</p> <p>17 Commission proceeding.</p> <p>18 Q. Okay. That's not my question.</p> <p>19 A. Okay.</p> <p>20 Q. My question is would it be the company's</p> <p>21 recommendation that those costs be subject to an</p> <p>22 audit?</p> <p>23 A. At this point I'm not prepared to make a</p> <p>24 recommendation for the company whether or not that</p>	<p style="text-align: right;">Page 59</p> <p>1 change the question.</p> <p>2 Is it the company's intent that the rider</p> <p>3 GRR would be based upon forecasted costs subject to a</p> <p>4 true-up?</p> <p>5 A. I don't know if the company has made a</p> <p>6 determination about whether or not the GRR would</p> <p>7 include a forecasting-reconciliation.</p> <p>8 Q. And the company has no recommendation or</p> <p>9 preference with respect to that.</p> <p>10 A. The company may have a preference. I</p> <p>11 just don't know what the company's preference is.</p> <p>12 Q. Okay. Would the GRR rider be the</p> <p>13 appropriate rider for the recovery of costs</p> <p>14 associated with the development of 350 megawatts of</p> <p>15 customer-sited generation?</p> <p>16 A. I don't know.</p> <p>17 Q. I would like you to turn to Exhibit WAA-1</p> <p>18 of your testimony and particularly page 4. At that</p> <p>19 page we see a table listing various plants and</p> <p>20 information about those plants, do we not?</p> <p>21 A. Yes, that table lists existing generation</p> <p>22 capacity as of June 1, 2010, for AEP Ohio.</p> <p>23 Q. And the in-service dates, is that when</p> <p>24 these plans were used and useful for AEP Ohio?</p>
<p style="text-align: right;">Page 58</p> <p>1 would be subject to an audit or not.</p> <p>2 Q. Okay. Would your answer be the same with</p> <p>3 respect to a recommendation about whether the</p> <p>4 revenues that would offset the costs to determine the</p> <p>5 GRR rate be subject to an audit, that you don't have</p> <p>6 a recommendation on that either?</p> <p>7 A. I don't have a recommendation at this</p> <p>8 point.</p> <p>9 Q. And you are not aware the company has a</p> <p>10 recommendation or a preference?</p> <p>11 A. I don't know if the company has a</p> <p>12 recommendation or preference.</p> <p>13 Q. Is it the company's intent that the rider</p> <p>14 GRR would be or could be based upon forecasted costs</p> <p>15 subject to a true-up?</p> <p>16 THE WITNESS: I'm sorry. Can you repeat</p> <p>17 the question?</p> <p>18 (Question read.)</p> <p>19 A. I think you have two alternatives in the</p> <p>20 question, could or would.</p> <p>21 Q. Okay. Let's say could.</p> <p>22 A. Can you repeat the question with the</p> <p>23 could in it?</p> <p>24 Q. Sure. Is it the company's intent -- I'll</p>	<p style="text-align: right;">Page 60</p> <p>1 A. AEP Ohio did not exist at the time of the</p> <p>2 in-service dates for these units.</p> <p>3 Q. Okay. Would the in-service dates for</p> <p>4 these units be the date that the plants were used and</p> <p>5 useful for either the Columbus Southern or Ohio</p> <p>6 Power?</p> <p>7 A. Possibly.</p> <p>8 Q. Okay. And why would they not be?</p> <p>9 A. Used and useful is typically a regulatory</p> <p>10 term when a Commission determines that a unit is used</p> <p>11 and useful. In some cases it may be different than</p> <p>12 the in-service date.</p> <p>13 Q. Okay. Would the in-service date be the</p> <p>14 date in which it was providing power or first</p> <p>15 providing power for one of the AEP Ohio companies?</p> <p>16 A. Not necessarily. It would be the date</p> <p>17 that the unit was officially placed in service. The</p> <p>18 unit would typically be tested ahead of time and</p> <p>19 producing energy on a limited basis but that would</p> <p>20 generally be the date it went into full service.</p> <p>21 Q. Okay. Thank you. Now, the Waterford,</p> <p>22 Darby, and Lawrenceburg units were acquired, correct?</p> <p>23 A. Yes.</p> <p>24 Q. Where were they acquired from?</p>

<p style="text-align: right;">Page 61</p> <p>1 A. I don't recall.</p> <p>2 MR. KUTIK: Let's go off the record.</p> <p>3 (Recess taken.)</p> <p>4 Q. Let's go back on the record. Mr. Allen,</p> <p>5 can you tell me what the purpose of the DIR is?</p> <p>6 A. The DIR is intended to provide the</p> <p>7 company an opportunity to earn a return on and of</p> <p>8 investment related to distribution investments</p> <p>9 including associated taxes.</p> <p>10 Q. Is it intended to recover the cost of</p> <p>11 fuel?</p> <p>12 A. No.</p> <p>13 Q. Is it intended to recover the cost of</p> <p>14 purchased power?</p> <p>15 A. No.</p> <p>16 Q. Is it intended to recover costs</p> <p>17 associated with having to comply with alternative or</p> <p>18 renewable energy portfolio requirements?</p> <p>19 A. No.</p> <p>20 Q. Is it intended to comply -- or recover</p> <p>21 the costs to comply with environmental laws or</p> <p>22 regulations?</p> <p>23 A. Potentially, yes.</p> <p>24 Q. Okay. How would that be?</p>	<p style="text-align: right;">Page 63</p> <p>1 the companies as of the end of August, 2010.</p> <p>2 Q. Thank you. The costs that would be</p> <p>3 subject to recovery under the DIR, would that --</p> <p>4 would those costs be subject to Commission review?</p> <p>5 A. Yes, I believe so.</p> <p>6 Q. And how would that process work?</p> <p>7 A. That has yet to be determined.</p> <p>8 Q. Would the Commission have the opportunity</p> <p>9 to review projects that are proposed for recovery</p> <p>10 prior to the implementation of those projects?</p> <p>11 A. No.</p> <p>12 Q. So this would be purely an after-the-fact</p> <p>13 review.</p> <p>14 A. As indicated on page 10, line 13 of my</p> <p>15 testimony, there would be an annual prudent review by</p> <p>16 an independent auditor under the direction of the</p> <p>17 staff appointed by the company which would review</p> <p>18 prior expenditures.</p> <p>19 Q. Okay. So, again, it would be an</p> <p>20 after-the-fact review.</p> <p>21 A. Yes, that's correct.</p> <p>22 Q. And in terms -- is it the company's</p> <p>23 intent there would be a proceeding to review the</p> <p>24 audit?</p>
<p style="text-align: right;">Page 62</p> <p>1 A. There are environmental rules and</p> <p>2 regulations that apply to distribution facilities.</p> <p>3 And to the extent the company made capital</p> <p>4 investments to meet environmental regulations that</p> <p>5 apply to those distribution facilities, they would be</p> <p>6 included within the DIR.</p> <p>7 Q. But it would only be with respect to</p> <p>8 distribution facilities, correct?</p> <p>9 A. Yes, that's correct.</p> <p>10 Q. Let me have you turn to your testimony at</p> <p>11 page 10.</p> <p>12 A. Okay. I'm there.</p> <p>13 Q. You provide some percentages at lines --</p> <p>14 the sentence that begins at line 2 and ends at line</p> <p>15 5. Do you see that?</p> <p>16 A. Yes, I see those.</p> <p>17 Q. Where did those percentages come from?</p> <p>18 A. The percentages with the exception of the</p> <p>19 10.5 percent common equity charge came from the</p> <p>20 prefiled testimony of Company Witness Hawkins in this</p> <p>21 case.</p> <p>22 Q. Do you know whether that is based on</p> <p>23 the -- any financial statements of the company?</p> <p>24 A. It's based upon the capital structure of</p>	<p style="text-align: right;">Page 64</p> <p>1 A. I don't know.</p> <p>2 Q. And would it be fair to say you don't</p> <p>3 know if the company has a recommendation or</p> <p>4 preference in that regard?</p> <p>5 A. I don't know that the company has a</p> <p>6 preference or recommendation, that's correct.</p> <p>7 Q. Okay. Now, as I understand it, the</p> <p>8 charge would be -- that would be made -- under the</p> <p>9 DIR would be a percentage?</p> <p>10 A. The charge under -- there would be a</p> <p>11 tariff associated with the DIR that would be a</p> <p>12 percentage of distribution revenues.</p> <p>13 Q. And why did the company recommend that it</p> <p>14 be based upon a percentage as opposed to a specific</p> <p>15 amount of costs or a specific charge?</p> <p>16 A. The percentage of distribution revenue</p> <p>17 methodology that the company proposed has the effect</p> <p>18 of the cost recovery associated with the DIR aligning</p> <p>19 with the cost causation of the customers.</p> <p>20 Q. And so the best way to do that is to</p> <p>21 allocate on a percentage basis?</p> <p>22 A. It's an efficient and reasonable method</p> <p>23 to use.</p> <p>24 Q. Why?</p>

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1 A. A prior distribution case would have
2 determined the allocation of revenues across the
3 classes for distribution service. Using a percentage
4 of distribution revenue approach allows these new
5 revenues to follow the same customer class allocation
6 that was established in the prior case and there's a
7 reasonable expectation that new plant investment will
8 follow generally a class allocation that historic
9 plant investment has.

10 Q. Okay. So it really wouldn't matter what
11 the specific projects were, construction that took
12 place was under the DIR in terms of setting a charge,
13 correct?

14 A. That's correct.

15 Q. Let me have you turn to page 16. This is
16 a portion of your testimony that refers to the phase
17 in recovery rider, correct?

18 A. Yes. That discussion starts on page 15
19 of my testimony.

20 Q. Let me direct your attention to lines 4
21 through 7. And my question is can you tell me how
22 you came up with the dollar figures that are there?

23 A. Yes. I looked at the carrying charges
24 that would be -- that customers would be responsible

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1 for based on the stream of revenues assuming
2 11.15 percent carrying charge and compared that to a
3 stream of revenues assuming a 5.34 percent carrying
4 charge.

5 Q. And where would I go to see this stream
6 of revenue?

7 A. It would be included in my workpapers
8 that I filed in response to a previous discovery
9 request.

10 Q. Do you have them in front of you?

11 A. I have my testimony and the stipulation.

12 MR. CONWAY: Here you go.

13 THE WITNESS: Okay.

14 A. Okay. I have my workpapers.

15 Q. Is there a specific workpaper you can
16 direct me to?

17 A. Yes. If you refer to workpaper 8,
18 WAAWP-8, as well as workpaper WAAWP-16.

19 Q. Let's look at 8. Where do you look to
20 see the -- does that show that calculation?

21 A. It does not.

22 Q. Okay. So where is the revenue stream
23 that you refer to?

24 A. You would have to compare the carrying

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1 costs on workpaper WAAWP-8 with the carrying cost on
2 workpaper WAAWP-16. For 2012 it's \$66.9 million. On
3 WAAWP-8 and on workpaper WAAWP-16 the value is
4 31.7 million. The difference between those two is
5 35.2 million.

6 Q. Thank you. On the same page of your
7 testimony let me direct you to lines 13 and 14. Can
8 you tell me how you derive the \$34.4 million?

9 A. Yes. If you refer to footnote 1 on the
10 bottom of page 16, it provides the math.

11 Q. And where did the two figures that are
12 multiplied together come from?

13 A. The \$2.32 per megawatt hour comes from
14 workpaper WAAWP-12. There's a bold box and on the
15 left-hand side of that box -- I'm sorry, on the
16 right-hand side of that box there is a 2012
17 residential rate of \$2.32 per kilowatt hour -- or
18 \$2.32 per megawatt hour and the 14,831 GWh is the
19 assumed residential load.

20 Q. And the \$2.32, that comes from where?

21 A. If you look at workpaper WAAWP-11, line
22 18, which refers to the rate at the meter in dollars
23 per kilowatt hour for secondary which is the service
24 level the residential customers are served at.

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1 Q. I'm sorry. What line did you say?

2 A. Line 18.

3 Q. Thank you. Go ahead.

4 A. For AEP Ohio you can see it's 0.002321 in
5 dollars per kilowatt hour. Converting that to
6 megawatt hour, move the decimal three points, you get
7 \$2.32.

8 Q. And this is an estimated rate?

9 A. Yes.

10 Q. On the same page I would like to refer
11 your attention to the sentence that's on lines 19 and
12 20. Can you tell me how you have arrived at the
13 figures that are shown in that sentence?

14 A. Similarly the \$1.78 annually is described
15 in the footnote. And you can see in that footnote
16 the \$2.321 per megawatt hour that comes from the W --
17 workpaper WAAWP-11 that we were just discussing the
18 \$2 -- the \$2.469 per megawatt hour comes from
19 workpaper WAAWP-12. It's identified as the 2013
20 residential rate. Multiplied the difference between
21 those two numbers by 12 megawatt hours per year which
22 is 12,000 kilowatt hours per year. Typical
23 residential customers using 1,000 kilowatt hours per
24 month would use 12,000 kilowatt hours per year.

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1 That's how the \$1.78 was calculated.

2 Q. And did you tell me how the 2.784 was
3 calculated?

4 A. That would be -- that math would be based
5 on workpaper WAAWP-12. The 2012 residential rate of
6 2321 -- \$2.321 per megawatt hour times 12,000
7 kilowatt hours per year would get you the 2.784.

8 Q. Thank you. And I have one more
9 calculation I would like you to go through for me and
10 that is the one that is for the number that appears
11 on line 7 of page 17.

12 A. Okay. As with the previous questions,
13 the formula is provided in footnote 3, the source of
14 the value showing in footnote 3, the \$2.38 per
15 megawatt hour comes from workpaper WAAWP-12 in the
16 line identified as 2013 composite rate. The \$2 --
17 the \$2.37 per megawatt hour comes from workpaper
18 WAAWP-16 in the line similarly titled 2013 composite
19 rate.

20 Q. In your responsibilities, are you -- do
21 you regularly deal with CRES providers?

22 A. Prior to my involvement in this case, no.

23 Q. And how has your involvement with CRES
24 providers changed as a result of this case?

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1 A. I have been engaged in negotiations with
2 CRES providers as well as presenting information to
3 CRES providers on some of the implementation issues
4 associated with Appendix C included in the company's
5 stipulation and recommendation. That presentation
6 happened earlier this week.

7 Q. Okay. So are you the one in charge -- or
8 are you the one in the company that is in charge of
9 the implementation of Appendix C to the stipulation?

10 A. No.

11 Q. Okay. Is it your -- you are just in
12 charge of explaining what Appendix C is?

13 A. I would describe my role as advising the
14 individuals that are implementing Appendix C as to
15 its -- its meaning.

16 Q. Okay. So you are kind of the -- you are
17 kind of telling people who actually have to do this
18 how to do it?

19 A. No. I am describing what the -- what
20 Appendix C provides for, and they are indicating to
21 me how they would accomplish those tasks.

22 Q. Okay. Are you the person within the
23 company most knowledgeable about what Appendix C
24 says?

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1 A. I don't know if I would be the most
2 knowledgeable within -- the most knowledgeable
3 individual within the company on Appendix C, but I'm
4 very familiar with Appendix C.

5 Q. Would you be one of the most
6 knowledgeable within the company?

7 A. Yes.

8 Q. Okay. And would it be fair to say you're
9 also one of the most knowledgeable with respect to
10 the intent of the company in terms of how it intends
11 to implement Appendix C?

12 A. I'm knowledgeable about how the company
13 intends to implement Appendix C.

14 Q. Okay. Did you participate in drafting
15 Appendix C?

16 A. Yes.

17 Q. Did you draft it?

18 A. I developed an initial draft.

19 Q. Okay. Would the draft be principally
20 your work, the initial draft?

21 A. It was informed by the rules that exist
22 in Michigan.

23 Q. That's not my question though.

24 MR. KUTIK: Could you read my question

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1 back.

2 (Question read.)

3 A. Yes.

4 Q. Okay. When did you prepare that initial
5 draft?

6 A. It's my understanding that's a
7 confidential aspect of the discussion.

8 Q. When did you prepare that initial draft?

9 MR. CONWAY: I am going to object. This
10 is -- if this was part of the settlement discussions
11 that occurred, then it's subject to the
12 confidentiality rule that applies to settlement
13 discussions.

14 MR. KUTIK: When he did it is not
15 privileged. Whether he gave it to anybody, that
16 might be privileged but when he -- when he wrote --
17 when he drafted it is not privileged.

18 Q. Can you answer that question?

19 A. It was prepared during the settlement
20 discussions.

21 Q. Can you be more specific?

22 A. You know, it was sometime before the
23 signing of the stipulation by the parties.

24 Q. Okay. That was on September 7, correct?

18 (Pages 69 to 72)

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<p>1 A. Correct.</p> <p>2 Q. Was it -- was it before September 7?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. You will take my word that</p> <p>5 September 7 was a Wednesday?</p> <p>6 A. I'm not a fan of subject to check so.</p> <p>7 Q. Okay.</p> <p>8 A. Okay.</p> <p>9 Q. And the 5th was Labor Day.</p> <p>10 A. Yes.</p> <p>11 Q. Did you work on Labor Day?</p> <p>12 A. I did.</p> <p>13 Q. Okay. Was the draft prepared on Labor</p> <p>14 Day or before Labor Day or after Labor Day?</p> <p>15 A. The initial draft would have been</p> <p>16 prepared prior to that.</p> <p>17 Q. Was it prepared over the weekend?</p> <p>18 A. No.</p> <p>19 Q. So it was prepared in the week prior</p> <p>20 to -- prior to September 5?</p> <p>21 A. Yes.</p> <p>22 Q. Was the draft shared with any parties</p> <p>23 before the signing session?</p> <p>24 A. Yes.</p>	<p>1 Q. Was it shared with The Appalachian Peace</p> <p>2 and Justice Network?</p> <p>3 A. I don't know.</p> <p>4 Q. Were there drafts prepared by other</p> <p>5 parties?</p> <p>6 A. Please define what you mean by prepared,</p> <p>7 "drafts prepared by other parties."</p> <p>8 Q. Marking up your draft.</p> <p>9 A. I am not sure if that's a confidential</p> <p>10 nature of the settlement discussions.</p> <p>11 MR. CONWAY: Your question is whether or</p> <p>12 not the parties discussed the draft among -- between</p> <p>13 themselves?</p> <p>14 MR. KUTIK: No.</p> <p>15 Q. My question is was -- were there drafts</p> <p>16 prepared by others. In other words, were you the</p> <p>17 only ones preparing drafts, or were people preparing</p> <p>18 responses to drafts? That's what I want to know.</p> <p>19 MR. CONWAY: Why don't we take a break,</p> <p>20 if you don't mind, in order to -- I don't want to</p> <p>21 interfere with your examination. But I also don't</p> <p>22 want to step over the line on the confidentiality</p> <p>23 either. So let's take a 5-minute break.</p> <p>24 MR. KUTIK: Okay.</p>
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<p>1 Q. Okay. Was the draft prepared or shared</p> <p>2 with the parties before September 7?</p> <p>3 A. Yes.</p> <p>4 Q. How far before September 7?</p> <p>5 A. My recollection it would be sometime the</p> <p>6 week prior to that.</p> <p>7 Q. Okay. So it was before the weekend.</p> <p>8 A. Yes.</p> <p>9 Q. Was it shared with all of the parties?</p> <p>10 A. To the best of my recollection, yes.</p> <p>11 Q. Was it shared with FirstEnergy?</p> <p>12 A. My recollection is it was shared with the</p> <p>13 parties that were actively engaged in negotiations at</p> <p>14 that point in time.</p> <p>15 Q. So it was not shared with FirstEnergy.</p> <p>16 A. I don't know. I didn't send out the</p> <p>17 e-mail.</p> <p>18 Q. Okay. Is it your understanding it was</p> <p>19 shared with FirstEnergy?</p> <p>20 A. As I indicated, I don't know.</p> <p>21 Q. Okay. Was it shared with OCC?</p> <p>22 A. I don't know.</p> <p>23 Q. Was it shared with IEU?</p> <p>24 A. I don't know.</p>	<p>1 (Recess taken.)</p> <p>2 Q. Back on the record. Mr. Allen, do you</p> <p>3 have the question in mind?</p> <p>4 A. I think I do, but I would prefer it to be</p> <p>5 reread so I answer your question.</p> <p>6 Q. Sure.</p> <p>7 MR. KUTIK: Go ahead. Can you read,</p> <p>8 please.</p> <p>9 (Question read.)</p> <p>10 MR. CONWAY: Okay. So the objection is</p> <p>11 to getting into the confidential settlement</p> <p>12 discussions. I'll allow the question to go forward</p> <p>13 on the more -- the general level where it is right</p> <p>14 now about whether or not there were discussions among</p> <p>15 the settlement parties regarding -- I don't mean to</p> <p>16 mischaracterize your question but the regarding the</p> <p>17 Appendix C that Mr. Allen has been explaining.</p> <p>18 A. In response to your question other</p> <p>19 parties provided drafts and/or commented on the draft</p> <p>20 that was prepared by me related to Appendix C.</p> <p>21 Q. Okay. How many drafts were there?</p> <p>22 A. I don't recall.</p> <p>23 Q. Was it more than two?</p> <p>24 A. Yes.</p>

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1 Q. More than three?

2 A. I don't know.

3 Q. More than five?

4 A. I don't know.

5 Q. Okay. More than 10?

6 A. I don't know.

7 Q. Okay. So there could have been more than
8 10 drafts shared between the parties and AEP?

9 A. I don't think there were more than 10
10 drafts.

11 Q. Okay. Did you have conversations with
12 other parties about Appendix C prior to the time the
13 stipulation was signed?

14 A. Yes.

15 Q. Was one of those parties AEP Retail?

16 A. I don't think we want to go into who we
17 had discussions with in the settlement.

18 Q. I think I am entitled to know did you
19 have discussions with AEP Retail.

20 MR. CONWAY: I think that does -- that
21 does cross the line into with whom the discussions
22 were had. So I'll instruct the witness not to
23 answer.

24 Q. But for your counsel's instruction, could

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1 you answer that question? And I'll tell you why I'm
2 asking that question. If your answer would be "I
3 don't know" or "I don't remember," I don't want to
4 fight about it. So that's why I asked the question.
5 So let me ask the question again. But for your
6 counsel's instruction could you have answered that
7 question with something other than "I don't know" or
8 "I don't remember"?

9 MR. CONWAY: And I'll instruct him not to
10 answer.

11 Q. Okay. With respect to any aspect of the
12 settlement, did you meet with AEP Retail or
13 representatives of AEP Retail without any party
14 present not within AEP?

15 A. Can you rephrase the question? I want to
16 make sure I answer it accurately.

17 Q. Sure. What I want to know is if you had
18 meetings with any representatives from AEP Retail
19 where there was no one else in the room outside of
20 AEP or on a call.

21 A. There were no settlement discussions with
22 AEP Retail where other parties to the stipulation
23 were not also in the room. The only caveat to that
24 is that when the other parties including FirstEnergy

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1 and the staff had discussions that excluded the
2 company. Those parties required AEP Retail to leave
3 that room and put us in a room with AEP Retail. When
4 we were put in the same room, we did not have any
5 discussions related to the settlement.

6 Q. Okay. So there was no communication that
7 you are aware of relating to the settlement between
8 AEP Retail and any representatives of AEP Retail and
9 AEP Ohio or any representatives of AEP Ohio which
10 were not shared with others outside of AEP about the
11 settlement?

12 THE WITNESS: Can you reread the
13 question?

14 (Question read.)

15 A. It's a complicated question so I'm going
16 to answer it fully without just answering with a yes
17 or no to make sure that it's clear. There were no
18 settlement discussions or meetings between AEP Ohio
19 or its representatives and AEP Retail that did not
20 occur with other parties in the room. There were no
21 independent meetings between AEP Ohio and AEP Retail.

22 Q. Okay. And that would be the case for
23 phone calls. There was no phone calls just between
24 AEP Ohio and AEP Retail or their representatives

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1 about the settlement without other parties outside of
2 AEP being on the call.

3 A. That's my understanding, yes.

4 Q. And would the same thing be true for
5 e-mails or written communications?

6 A. That's my understanding, yes. AEP retail
7 was treated just like every other party in the
8 settlement.

9 Q. Did AEP Retail provide comments on the
10 draft that you circulated?

11 MR. CONWAY: At this point the same
12 objection.

13 MR. KUTIK: Okay. Well, this is -- this
14 is why I don't believe the privilege applies so I'm
15 just making a statement that as -- if they are
16 dealing with a common purpose and a common interest,
17 then certainly that would be privileged. But where
18 you are dealing with a settlement of a contested
19 matter there is not a common interest and, therefore,
20 there would be no privilege. It may not be
21 admissible under Rule 408 but that admissibility does
22 not preclude me from asking questions in the
23 deposition. That's my position.

24 MR. CONWAY: Well, I think the rule that

20 (Pages 77 to 80)

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1 I developed and laid out was whether there were
2 discussions about specific matters, specific parts of
3 the stipulation among the parties including AEP Ohio,
4 okay. But getting into specific discussions of
5 matters regarding the stipulation between one party
6 and AEP Ohio or one party and another party, no.

7 MR. KUTIK: My point is, Dan, that cannot
8 be privileged, and it's not privileged. I'm entitled
9 to ask questions on that in a deposition.
10 Admissibility is a different thing.

11 MR. CONWAY: Well, for now in any event
12 there we are.

13 MR. KUTIK: You are going to stand on
14 your objection.

15 MR. CONWAY: Yeah.

16 MR. KUTIK: Okay.

17 MR. CONWAY: And I will revisit it at the
18 next break but that's where it is right now.

19 MR. KUTIK: Fair enough.

20 Q. (By Mr. Kutik) Let me ask my follow-up
21 question in light of the instruction. Could you
22 answer that question but for your witness's
23 instruction?

24 MR. CONWAY: Lawyer's instruction.

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1 Q. Your lawyer's instruction with an answer
2 other than "I don't know" or "I don't remember"?

3 A. Yes, I think I could answer that
4 question.

5 Q. Okay. Thank you. Now, earlier you said
6 that --

7 MR. CONWAY: I'm sorry. What is the
8 question we are?

9 MR. KUTIK: The question is did AEP
10 Retail provide comments.

11 MR. CONWAY: Okay.

12 Q. You said earlier that your draft was
13 based upon what was happening in Michigan, correct?

14 A. No, it was not based on what was
15 happening in Michigan. It was based upon the rules
16 that currently exist in Michigan.

17 Q. Okay. Those happen in Michigan, don't
18 they?

19 A. They are the rules that have been
20 accepted by the Michigan Commission.

21 Q. Okay. And those rules were promulgated
22 pursuant to a statute, correct?

23 A. That's my understanding, yes.

24 Q. Okay. And are you familiar with that

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1 statute?

2 A. To some degree.

3 Q. Okay. Is it true that that statute sets
4 limits on the amount of shopping that can occur?

5 A. That's my understanding generally, yes.

6 Q. Is there a similar statute in Ohio that
7 limits shopping?

8 A. No, not to my understanding.

9 Q. Okay. But your draft was based upon a
10 rule that was based upon a statute that limits
11 shopping, correct?

12 A. That was the starting point of my draft.

13 Q. Okay. Let's turn to Appendix C. You
14 have the stipulation in front of you?

15 A. I do.

16 Q. Okay. Now, at various places Appendix C
17 talks about an "RPM set-aside" and in another
18 statement it talks about "energy allotments"; would
19 that be correct to say?

20 A. I apologize. I just printed this off the
21 Commission website this morning, and it didn't
22 include Appendix C.

23 Q. I have a separate copy I can give you.
24 There you go.

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1 A. Thanks.

2 MR. KUTIK: Off the record.

3 (Discussion off the record.)

4 Q. Okay. My question was the Appendix C
5 uses the term "RPM set-aside" and then it also uses a
6 term "energy allotment"; is that correct?

7 A. Yes.

8 Q. Okay. And, for example, let's look at
9 page 2 under the heading "Order of Priority for RPM
10 Set-Aside," first paragraph, first line uses the term
11 "energy allotment," correct?

12 A. Correct.

13 Q. And "energy allotment" is not a defined
14 term on Appendix C, is it?

15 A. It is not defined within the definition
16 section, that's correct.

17 Q. Okay. Are energy allotments the same
18 thing as a set-aside?

19 A. No, they are not.

20 Q. How are they different?

21 A. Allotments are based on individual
22 customers. The RPM set-aside reflects the entire
23 amount of --

24 Q. All the allotments.

21 (Pages 81 to 84)

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1 A. Not necessarily but it reflects the
2 aggregate -- the RPM set-aside is the total of all of
3 the allotments that are -- that receive the RPM rate.

4 Q. Okay. So when you talk about "energy
5 allotment," you are referring to a specific customer,
6 correct?

7 A. Correct.

8 Q. You are not referring to a customer
9 class.

10 A. No.

11 Q. What I said is correct, you are not
12 referring to a customer class.

13 A. I am not referring to a customer class.

14 Q. Okay. Now, it's the case, is it not,
15 that a contract between a municipal government
16 aggregator and a CRES provider would not be treated
17 as a contract or customer contract under Appendix C,
18 correct?

19 MR. CONWAY: Would you read that back? I
20 think I got it.

21 (Question read.)

22 A. As I indicate on page 14, line 15 of my
23 testimony, this is not an agreement between a CRES
24 and a customer.

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1 Q. So it would not be treated as a customer
2 contract, correct?

3 A. That's correct.

4 Q. Why is that?

5 A. As I previously indicated, it's not a
6 customer contract between a customer and a CRES
7 provider.

8 Q. Is it a contract on behalf of a customer?

9 A. I don't think that I would agree to that
10 characterization.

11 Q. Why not?

12 A. When a contract is signed between a CRES
13 and a governmental aggregation group, the individual
14 customers have the ability to opt out of that
15 contract or to opt out of the governmental
16 aggregation if it's an opt-out governmental
17 aggregation. In the case of an opt-in governmental
18 aggregation situation, the customer would have to do
19 the opposite and affirmatively agree to opt in to the
20 aggregation so no contract occurs between a CRES and
21 a customer in my view until they either fail to avail
22 themselves of the opt-out provision or affirmatively
23 take advantage of an opt-in provision.

24 Q. Okay. So you don't view the contract

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1 between the municipal aggregator and the CRES
2 provider as a contract on behalf of a customer
3 subject to the customer opting in or opting out as
4 the case may be, fair to say?

5 A. I think that's a legal distinction that
6 I'm not making.

7 Q. Based upon your understanding, sir. You
8 are testifying about what a contract is. So, now, I
9 am asking you can you answer my question?

10 THE WITNESS: Can you repeat the
11 question?

12 (Question read.)

13 MR. CONWAY: Was there an answer?

14 MR. KUTIK: He said it was a legal
15 conclusion.

16 MR. CONWAY: Legal conclusion so I'll
17 object to the follow-up then. He's explained what
18 his position is, and you may disagree with it.

19 MR. KUTIK: I am entitled to -- I am
20 entitled to an answer to this question.

21 Q. Can you answer that question?

22 A. If you refer to page 14, lines 22 and 23
23 of my testimony, my opinion is that "the contract
24 between the CRES and the customer would occur at the

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1 time that the customer opted-in or did not avail
2 themselves of the opportunity to opt-out."

3 Q. That's not my question and you know it,
4 sir. So answer my question.

5 MR. CONWAY: That's not -- he has
6 answered your question twice.

7 MR. KUTIK: No, he hasn't.

8 MR. CONWAY: He said --

9 MR. KUTIK: Don't coach. Now, you're
10 coaching.

11 MR. CONWAY: No, I'm objecting.

12 MR. KUTIK: You're coaching. And the
13 question --

14 MR. CONWAY: I am objecting to the
15 question.

16 MR. KUTIK: I object to this witness
17 deliberately not answering my question. That's --
18 that's the -- that's the objectionable thing so let
19 me ask the question to the witness.

20 MR. CONWAY: He has answered four times.

21 MR. KUTIK: I am going to ask him again.

22 Q. Is this contract between a government
23 aggregator, municipal aggregator, and a CRES provider
24 a contract on behalf of customers subject to the

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<p>1 customer opting in or opting out as the case may be?</p> <p>2 Can you answer that question, sir?</p> <p>3 MR. CONWAY: Objection.</p> <p>4 Q. Is it or is it not?</p> <p>5 A. I think I've answered your question that</p> <p>6 the contract --</p> <p>7 Q. Can you answer yes or no? Can you answer</p> <p>8 it yes or no?</p> <p>9 A. The ground rules at the beginning were</p> <p>10 don't interrupt, sir.</p> <p>11 Q. Sir, can you answer it yes or no?</p> <p>12 MR. CONWAY: Mr. Kutik, you are -- at</p> <p>13 this point you are arguing with the witness.</p> <p>14 MR. KUTIK: I am not arguing with the</p> <p>15 witness. I am seeking to know whether the witness</p> <p>16 can answer this question yes or no.</p> <p>17 MR. CONWAY: Well, you want to find out</p> <p>18 whether or not he thinks there's some legal</p> <p>19 relationship -- legal contractual relationship that</p> <p>20 exists pre-opt in or pre-opt out.</p> <p>21 MR. KUTIK: No. You are coaching.</p> <p>22 MR. CONWAY: No, I am not.</p> <p>23 MR. KUTIK: I know what the rules for</p> <p>24 objections are. You have an objection, state</p>	<p>1 MR. KUTIK: No.</p> <p>2 Q. Can you answer yes or no?</p> <p>3 MR. CONWAY: Read back -- read back the</p> <p>4 third answer, please.</p> <p>5 MR. KUTIK: All he has to say is, "No, I</p> <p>6 can't answer it."</p> <p>7 Q. Please, can you answer it yes or no?</p> <p>8 MR. CONWAY: If I could have the answer.</p> <p>9 MR. KUTIK: No.</p> <p>10 Q. Can you answer?</p> <p>11 MR. CONWAY: Mr. Allen, I instruct you</p> <p>12 not to answer, and I request the court reporter to</p> <p>13 read back the prior -- your prior answer.</p> <p>14 Q. Can you answer it yes or no?</p> <p>15 MR. CONWAY: May I please have --</p> <p>16 Q. Can you answer it yes or no?</p> <p>17 MR. CONWAY: -- the prior answer read</p> <p>18 back?</p> <p>19 Q. Can you answer yes or no? You are</p> <p>20 refusing to answer yes or no? The record will</p> <p>21 reflect that.</p> <p>22 MR. CONWAY: May I have the previous</p> <p>23 answer read back?</p> <p>24 MR. KUTIK: Okay. Please.</p>
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<p>1 "objection." Otherwise be quiet, sir.</p> <p>2 MR. CONWAY: Well, I am making the</p> <p>3 objection.</p> <p>4 MR. KUTIK: Well, there is no objection.</p> <p>5 MR. CONWAY: All you are doing is arguing</p> <p>6 with him.</p> <p>7 Q. Can you answer the question yes or no?</p> <p>8 A. Beyond the answer that I have already</p> <p>9 provided, I don't know that I can provide a yes or no</p> <p>10 answer to your question.</p> <p>11 Q. So you can't say whether a contract</p> <p>12 between a municipal aggregate and a CRES provider is</p> <p>13 a contract on behalf of a customer subject to that</p> <p>14 customer opting in or opting out as the case may be,</p> <p>15 fair to say?</p> <p>16 MR. CONWAY: Objection. Now, he has</p> <p>17 answered the question instead of three or four times</p> <p>18 now four or five times.</p> <p>19 Q. You cannot answer that question?</p> <p>20 A. I think I provided an answer to your</p> <p>21 question.</p> <p>22 Q. Can you answer yes or no?</p> <p>23 MR. CONWAY: He has already answered.</p> <p>24 Move on.</p>	<p>1 Q. Because you are going to answer it at the</p> <p>2 hearing, sir, so you might as well tell me now.</p> <p>3 A. I think I have provided an answer to your</p> <p>4 question.</p> <p>5 Q. Can you answer it yes or no? That's my</p> <p>6 question. You have not provided an answer to that</p> <p>7 question.</p> <p>8 MR. CONWAY: I have instructed him not to</p> <p>9 answer any more questions on this -- on this line,</p> <p>10 and I have asked for the prior answer to be read</p> <p>11 back.</p> <p>12 Q. What you said was you can only say what's</p> <p>13 in your testimony; isn't that what you said?</p> <p>14 MR. CONWAY: Let's --</p> <p>15 Q. Is that what you said?</p> <p>16 MR. CONWAY: May I please have the answer</p> <p>17 read back?</p> <p>18 MR. KUTIK: Okay. Read the answer back.</p> <p>19 MR. CONWAY: If you can find it.</p> <p>20 (Answer read.)</p> <p>21 Q. So isn't it true you cannot answer my</p> <p>22 question yes or no?</p> <p>23 MR. CONWAY: Again, the same objection.</p> <p>24 Q. Can you answer the question yes or no?</p>

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1 MR. CONWAY: And I will instruct the
2 witness not to answer and please move on.

3 MR. KUTIK: Okay. So you are instructing
4 this witness to not answer the question whether he
5 can answer this question yes or no?

6 MR. CONWAY: I think he has answered it.

7 MR. KUTIK: Is that your instruction?

8 MR. CONWAY: He has answered.

9 MR. KUTIK: I think the question "can you
10 answer this question yes or no" is capable of a yes
11 or a no.

12 Q. So can you answer this question yes or
13 no, with a yes or no?

14 MR. CONWAY: And, again, we're done.
15 Please move on.

16 Q. All right. I'm telling you right now you
17 are going to get that at hearing, sir, so I hope you
18 have an answer other than -- that's going to be a yes
19 or a no. Do you understand that, sir?

20 MR. CONWAY: Please move on.

21 Q. Do you understand that? You can't answer
22 that question either?

23 MR. CONWAY: There's --

24 A. I heard what you had to say.

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1 Q. Okay. Isn't it true that you -- you view
2 government aggregation as slamming?

3 A. No, I don't think that's the case.

4 Q. Okay. Did you ever refer to or use the
5 word "slamming" or "slam" with respect to government
6 aggregation?

7 A. Yes, I did. And in that context my
8 recollection of the words I used were, for lack of a
9 better definition, that's the word even though it
10 doesn't have the right connotation, I think it was
11 very clear to everybody in the room.

12 Q. Well, slamming has a negative
13 connotation, doesn't it?

14 A. And I made it clear to everybody in the
15 room I was not putting the negative connotation with
16 that term.

17 Q. Well, what connotation -- is there a
18 positive connotation to slamming as far as CRES
19 providers are concerned?

20 A. No.

21 Q. Okay. And when you refer to government
22 aggregation as slamming, what did you mean?

23 A. What I meant were customers were assigned
24 a provider and they had to take action to choose not

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1 to be associated with that provider.

2 Q. So you viewed opt-out aggregation
3 contracts as akin to a slam?

4 A. No, I don't think that's what I stated
5 nor the intent of what I stated. And everything that
6 was in the room heard everything I had to say and I
7 don't think --

8 Q. You did use those words.

9 A. -- anybody viewed my statement as
10 associating a negative connotation with that.

11 Q. And you obviously knew what everyone else
12 in the room thought, right?

13 A. I know what I indicated to everybody in
14 the room, and I saw the reactions of the people in
15 the room.

16 Q. And the reaction of the people in the
17 room, they were shocked that you said that; isn't
18 that true?

19 A. I don't know if they were shocked or not.

20 Q. Okay. Well, certainly you had to give an
21 explanation once you saw how people reacted to what
22 you said, right?

23 A. No, because I am pretty certain that when
24 we had that discussion before I even used the word, I

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1 made it very clear that that was not my intent.

2 Q. Okay. You are aware that there are state
3 policies that support government aggregation.

4 A. Yes, there are. Yes, I'm aware.

5 Q. And, in fact, that is one of the policies
6 that the Commission needs to look at in reviewing the
7 ESP, correct?

8 A. I don't know that.

9 Q. Okay. So you don't know whether the
10 Commission needs to review the ESP to determine
11 whether it promotes or encourages shopping -- or,
12 excuse me, promotes or encourages government
13 aggregation?

14 A. Can you please read -- repeat the
15 question?

16 Q. Sure. My question is you don't know
17 whether the Commission has to review the ESP to
18 determine whether it promotes or encourages
19 government aggregation?

20 A. That's correct, I do not know.

21 Q. Okay. Does the ESP promote or encourage
22 government aggregation?

23 A. It does not discourage governmental
24 aggregation in my view.

24 (Pages 93 to 96)

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1 Q. Does it promote or encourage government
2 aggregation?

3 A. Yes.

4 Q. How?

5 A. Referring to page 2b3 -- paragraph 2b3 of
6 the stipulation on page 22.

7 Q. I'm sorry, you are on page 22?

8 A. Page 22 of the stipulation, paragraph 2b3
9 of the stipulation, I think it's paragraph 2b3 of the
10 stipulation. There's a provision within the
11 stipulation that provides for an allocation of the
12 RPM-priced capacity set-aside on a pro rata basis
13 among the residential, commercial, and residential
14 classes for the remainder of 2011 such that each one
15 of the classes has an opportunity to take advantage
16 of the RPM-priced capacity set-aside that's included
17 within the ESP. Included within that residential
18 group would be customers that are participants in
19 governmental aggregation.

20 Q. Anything else in the ESP that promotes or
21 encourages governmental aggregation?

22 A. The -- in general the discounted capacity
23 that's provided would encourage governmental
24 aggregation.

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1 Q. How?

2 A. It produces capacity for use by CRES
3 providers to serve governmental aggregation load at a
4 cost significantly below the company's cost of that
5 capacity and well below the \$255 megawatt day that's
6 provided in the stipulation.

7 Q. Anything else?

8 A. There may be other provisions. There may
9 be other provisions I'm not -- I may not be aware of.

10 Q. That's all you can think of today?

11 A. Those are the ones I can think of today.

12 Q. Now, with respect to the availability of
13 allotment for the residential -- well, I'll back up.

14 Is it fair to say that you've identified
15 two things in the ESP that potentially promote or
16 encourage government aggregation, one being the fact
17 that residential customers would receive part of the
18 set-aside and, second, that the -- that certain
19 customers may be able to get a discount with respect
20 to capacity. Have I stated that correctly?

21 A. No, you have not.

22 Q. Okay. What's wrong with how I stated it?

23 A. The first piece is that residential
24 customers would get an allotment of the pro rata

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1 allocated RPM set-aside throughout the remainder of
2 2011, and if they received that allotment, their CRES
3 provider would receive discounted capacity throughout
4 the time that those customers take service from a
5 CRES subject to the other provisions of Appendix C
6 such that if we were over the cap and the like.

7 The other provision is that even after
8 the pro rata allocation that occurs in 2011,
9 residential customers under governmental aggregation
10 could continue to receive allotments within the
11 21 percent, 31 percent, and 41 percent allotment such
12 that their CRES provider would receive discounted
13 capacity that they may in turn use to reduce the
14 prices that they charge to those customers.

15 And then there's the other piece that I
16 mentioned is the \$255 capacity for shopping above the
17 21, 31, and 41 percent is still a significant
18 discount to the full cost of capacity that the
19 company is providing so those are the three elements.

20 Q. Okay. With respect to the three elements
21 that you've identified that promote or encourage
22 governmental aggregation, would it be fair to say
23 that the effect of those provisions on governmental
24 aggregation customers is no different than any other

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1 residential customer?

2 A. I don't know that I could say it's no
3 different, but it would be similar.

4 Q. Okay. Well, are residential customers
5 who receive service through -- from a CRES provider
6 through a government aggregation treated under the
7 stipulation any differently than any other
8 residential customer who receives service from a CRES
9 provider?

10 A. I don't believe so.

11 Q. Now, part of the process to implement
12 Appendix C is envisioned to be something called a
13 detailed implementation plan, correct?

14 A. That's correct.

15 Q. Are you the one within AEP that is in
16 charge of drafting that plan?

17 A. With input from others, yes.

18 Q. Okay. Has -- have you been drafting that
19 plan?

20 A. I have been drafting elements of that
21 plan, yes.

22 Q. Has a draft of the plan been completed?

23 A. No.

24 Q. What is your expectation as to when a

25 (Pages 97 to 100)

<p style="text-align: right;">Page 101</p> <p>1 draft of the plan will be completed?</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. Will it be completed before the</p> <p>4 hearing in this case?</p> <p>5 A. It's possible but I don't know.</p> <p>6 Q. Okay. Is it your -- well, once a draft</p> <p>7 of the plan has been completed, is there some process</p> <p>8 within AEP to review that draft? My question was</p> <p>9 within AEP.</p> <p>10 THE WITNESS: Could you repeat the</p> <p>11 question, please?</p> <p>12 (Question read.)</p> <p>13 A. No process has been developed at this</p> <p>14 point.</p> <p>15 Q. So no process has been developed to</p> <p>16 review the plan internally within AEP; is that your</p> <p>17 testimony?</p> <p>18 A. At this point no process has been</p> <p>19 developed, that's correct.</p> <p>20 Q. And would it be fair to say that no</p> <p>21 process has been developed to review the plan outside</p> <p>22 of AEP?</p> <p>23 A. That's correct. We have not developed</p> <p>24 that process yet.</p>	<p style="text-align: right;">Page 103</p> <p>1 A. -- implementation plan within AEP.</p> <p>2 Q. So you have no idea whether it's likely</p> <p>3 or not that the plan will be shown to the signatory</p> <p>4 parties before the hearing in this case?</p> <p>5 A. No. It's dependent when that detailed</p> <p>6 implementation plan can be completed.</p> <p>7 Q. So, again, we have no idea when that's</p> <p>8 going to happen, correct?</p> <p>9 A. At this point I don't know when that's</p> <p>10 going to happen.</p> <p>11 Q. Okay. And would you expect that once a</p> <p>12 detailed implementation plan is developed as</p> <p>13 acceptable to AEP and it's acceptable to the</p> <p>14 signatory parties, that that plan will be presented</p> <p>15 to the Commission for its approval?</p> <p>16 A. I don't know that it would be presented</p> <p>17 to the Commission but that's one possibility.</p> <p>18 Q. Does the -- does AEP have a</p> <p>19 recommendation or preference on that issue?</p> <p>20 A. At this point I don't think the company</p> <p>21 has come up with a preference or recommendation.</p> <p>22 Q. There is a process that's contemplated to</p> <p>23 form a queue of customers, correct?</p> <p>24 A. Yes.</p>
<p style="text-align: right;">Page 102</p> <p>1 Q. Do you have any understanding or</p> <p>2 expectation of what that external review process</p> <p>3 would entail?</p> <p>4 A. I would assume it would involve review of</p> <p>5 the signatories as indicated on page 5 of Exhibit C.</p> <p>6 Q. Is it your expectation that if the</p> <p>7 Commission approves the stipulation before -- well,</p> <p>8 let me start again.</p> <p>9 It might be the case that the detailed</p> <p>10 implementation plan is not completed as far as being</p> <p>11 acceptable to all signatory parties before the</p> <p>12 hearing.</p> <p>13 A. That's possible.</p> <p>14 Q. Okay. Is it your best guess that that</p> <p>15 would be the case, or do you have no idea?</p> <p>16 A. I don't have an idea because I don't know</p> <p>17 what time the signatory parties would need to review</p> <p>18 the document.</p> <p>19 Q. Is it your best guess that the internal</p> <p>20 process within AEP to review the plan will be</p> <p>21 completed before the hearing?</p> <p>22 A. As I indicated previously, there's -- no</p> <p>23 process has been developed to review the detailed --</p> <p>24 Q. So, again --</p>	<p style="text-align: right;">Page 104</p> <p>1 Q. When does that process begin?</p> <p>2 A. The company will be retaining information</p> <p>3 to allow a queue to be established upon Commission</p> <p>4 approval of the stipulation and recommendation that</p> <p>5 includes that queue. No queue can necessarily exist</p> <p>6 prior to a Commission order approving this.</p> <p>7 Q. Can CRES providers begin providing</p> <p>8 information to put customers in a queue tomorrow?</p> <p>9 A. CRES providers have the ability to put</p> <p>10 customers in the queue in the past. They still have</p> <p>11 that ability. The only provision of Appendix C that</p> <p>12 would allow a CRES to put a customer in the queue</p> <p>13 that is not yet established would be the provision of</p> <p>14 an affidavit.</p> <p>15 Q. Okay. Could CRES providers start</p> <p>16 providing affidavits tomorrow?</p> <p>17 A. The specifics of the affidavit</p> <p>18 information is in the process of being developed.</p> <p>19 Q. Okay. So the answer is, no, they</p> <p>20 can't -- they can't begin to provide affidavits until</p> <p>21 the affidavit process is developed?</p> <p>22 A. That's my understanding.</p> <p>23 Q. Can a CRES provider place a customer</p> <p>24 in -- in the queue without an affidavit?</p>

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1 A. Yes.

2 Q. And how does that happen?

3 A. Through a customer switch or through the
4 customer -- or through the customer providing a
5 90-day notice to the company.

6 Q. Okay. So that to the extent that there
7 are already customers that have switched to the CRES
8 provider, they are in the queue; is that your
9 testimony?

10 A. Yes.

11 Q. And customers that have already provided
12 the 90-day notice, they are in the queue?

13 A. Yes.

14 Q. Would it be correct to say that since you
15 are not sure when the detailed implementation plan
16 will be developed that you're not sure when the
17 affidavit form would be -- will be developed, will be
18 developed and available?

19 A. That's correct. We are currently
20 developing that affidavit form.

21 Q. Do you expect to make the affidavit form
22 available for CRES providers to use prior to the
23 completion and approval, if any, of the detailed
24 implementation plan?

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1 A. Depending on the time of the completion
2 of the detailed implementation plan, there's a
3 possibility that the company would have the affidavit
4 form completed prior to that.

5 Q. And available for folks to submit.

6 A. Yes.

7 Q. Would it be the case then that the queue
8 could actually begin with affidavits prior to the
9 completion of the detailed implementation plan?

10 A. I think, as you've indicated previously,
11 the queue doesn't really occur until after there's a
12 Commission order approving the stipulation and
13 recommendation. And the company's retaining
14 information to create that queue into the past. I
15 may have indicated previously that customers with
16 90-day notice or customers that switch could get into
17 the queue, and when I made that statement, my
18 statement was intended to reflect that when the
19 company basically creates the queue after approval by
20 the Commission, that information would have been
21 retained such that those customers could be placed in
22 the queue.

23 Q. Okay. So is it the case that AEP Ohio
24 will not be accepting any affidavits any earlier than

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1 the approval of the stipulation by the Commission?

2 A. No, that's not what I indicated.

3 Q. Okay.

4 A. Or what I intended to indicate, at least.

5 The company is currently working to develop that
6 affidavit form. And in light of the fact that
7 governmental aggregation is one of those groups that
8 would be able to use that affidavit form and that
9 affidavit would have to be submitted for large
10 volumes of customers at once, the company's trying to
11 develop an, you know, IT-based method to allow CRES
12 providers to submit affidavits for large numbers of
13 customers in a fairly efficient manner.

14 Q. Well, my question was really about timing
15 and comparing the timing of certain events, and the
16 events I want to understand is when the CRES provider
17 can first provide an affidavit versus the approval
18 of -- from the Commission of the stipulation. And my
19 question is could the affidavits be submitted before
20 Commission approval?

21 A. That's my expectation that that system
22 will be up and ready and CRES providers will be able
23 to submit affidavits in anticipation of a Commission
24 order.

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1 Q. Okay.

2 A. But we would have that available prior to
3 a final order.

4 Q. Okay. Now, you used the word final order
5 which unfortunately, I guess for you, is a legal
6 term. When -- you are aware that a Commission
7 order -- well, let me back up.

8 Are you aware that a Commission order
9 isn't necessarily final after it issues the order?

10 A. Yes, I am.

11 Q. You are aware there is an application for
12 rehearing process?

13 A. Generally, yes.

14 Q. And you are aware of potential appeal to
15 the Ohio Supreme Court.

16 A. I'm aware that's a potential, yes.

17 Q. Okay. So when you were talking about
18 things happening on Commission approval, did you mean
19 the approval of what we will call the first order or
20 after the exhaustion of all appeals?

21 A. I was referring to the company accepting
22 affidavits prior to a Commission order and that
23 Commission order as I was using it in my description
24 there would be the initial order approving the

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1 stipulation and recommendation.

2 Q. Okay. Well, I think you mischaracterized
3 a prior part of our examination so let me go back on
4 something.

5 A. Sure.

6 Q. I think what you said earlier was that
7 the queue would not actually be formed until the
8 Commission order or the Commission approved the
9 stipulation; is that correct?

10 A. That's my understanding, yes.

11 Q. Okay. And when you are referring to the
12 Commission order there, are you referring to what we
13 have been calling the first Commission order as
14 opposed to the exhaustion of any appeals?

15 A. I've not thought about that distinction.

16 Q. So you don't know?

17 A. I don't know.

18 Q. Okay. Now, the affidavit that can be
19 presented by a CRES provider, that's an affidavit
20 that says we have a contract with customer X,
21 correct?

22 A. It affirms that the CRES provider has a
23 contract with a specific customer, yes.

24 Q. Okay. Now, can that be a handshake deal?

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1 A. I don't know.

2 Q. Okay. Could be?

3 A. I don't know.

4 Q. Can -- would it be appropriate for a CRES
5 provider to provide an affidavit of a contract that
6 was contingent on the customer being able to obtain
7 an energy allotment with the RPM-priced capacity?

8 A. Can you repeat the question again?

9 Q. Sure. Assume for me a situation where
10 the CRES provider and the customer have a contract
11 that says the contract will only begin if the
12 customer can get the -- part of the allotment that
13 makes the customer eligible to receive RPM-priced
14 capacity. With me so far?

15 A. Yes.

16 Q. And my question is would that be
17 appropriate to be included as an affidavit or in an
18 affidavit that would make that customer eligible for
19 a place in the queue?

20 A. That's a term or condition of the
21 contract between the CRES and the customer.

22 Q. Correct.

23 A. And I don't know that the company would
24 be aware of any of those terms and conditions that

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1 are included in the contract. So I don't think it
2 would change whether it was a contract with the
3 customer and the CRES or not.

4 Q. So far as you are concerned, that would
5 be a valid contract that would give the customer a
6 place in the queue?

7 A. Yes, it would be a contract between a
8 CRES and a customer.

9 Q. Would it be the case that a -- that a
10 CRES provider can only provide an affidavit if there
11 was a contract of some kind?

12 A. As indicated in Appendix C, it's an
13 affidavit to AEP Ohio regarding the existence of a
14 validly executed contract so in my understanding
15 that's a contract.

16 Q. Okay. So a customer could not get a
17 place in the queue if the customer had not yet
18 contracted with a CRES provider?

19 A. That's not true.

20 Q. Okay. A customer couldn't get a place in
21 the queue through an affidavit if the customer had
22 not contracted?

23 A. Yes, because it's an affidavit regarding
24 the existence of a validly executed contract.

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1 Q. How can a customer get in the queue if
2 the customer doesn't have a contract?

3 A. The customer could provide 90-day notice
4 of its intent to switch.

5 Q. Okay. Any other way?

6 A. Actually switching.

7 Q. Okay. Anything else? Let me back up.

8 A. I think that's it.

9 Q. Okay. Thank you. Let me back up to one
10 of your answers. Would you view the customer who
11 actually switches as a customer who has a contract?

12 A. My assumption is when a customer
13 switches, they have some contractual relationship
14 with a CRES.

15 MR. KUTIK: Let's go off the record.
16 (Discussion off the record.)

17 Q. Has the cap for 2012 been determined?

18 A. As indicated on page 1 of Appendix C, the
19 cap for 2012 is defined as 21 percent of the kilowatt
20 hour sales of AEP Ohio for the average 24 months
21 ended July 31, 2011, which was 47 million -- a little
22 in excess of 47 million kilowatt hours, so it would
23 be 21 percent of that.

24 Q. Will there be caps established for each

28 (Pages 109 to 112)

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<p>1 customer class?</p> <p>2 A. The cap is not set on a class specific</p> <p>3 basis for 2012.</p> <p>4 Q. Will it be?</p> <p>5 A. Allotments under the cap will be</p> <p>6 allocated throughout the remainder of 2011 based upon</p> <p>7 the pro rata allocation as described in Appendix C</p> <p>8 under "Securing an RPM Set-Aside," paragraph 1.</p> <p>9 Q. And when will that take place?</p> <p>10 A. During the final four months of 2011</p> <p>11 through December 31, 2011.</p> <p>12 Q. So you can't give me anything more</p> <p>13 certain than sometime before the end of the year?</p> <p>14 A. As indicated in that paragraph, an</p> <p>15 additional consideration in determining the pro rata</p> <p>16 allocation is the number of allotments or the</p> <p>17 percentage of shopping that is -- that has occurred</p> <p>18 through September and it's -- the number allotments</p> <p>19 that have been awarded as of September 7, 2011,</p> <p>20 that's a key factor in determining what the</p> <p>21 allotments will be for each one of the three customer</p> <p>22 classes.</p> <p>23 Q. Okay. Well, it's past September 7,</p> <p>24 correct?</p>	<p>1 A. My opinion is that the company would</p> <p>2 consult with the Commission and the staff to</p> <p>3 determine the appropriate way to communicate that</p> <p>4 information.</p> <p>5 Q. Okay. Well, first, it would be your</p> <p>6 expectation that the company would communicate that</p> <p>7 outside of AEP, correct?</p> <p>8 A. My expectation is we would communicate at</p> <p>9 a minimum with the staff.</p> <p>10 Q. Okay. So it's unclear at this time</p> <p>11 whether the amount of the allotments would be</p> <p>12 produced with, say, a CRES provider or provided to</p> <p>13 CRES providers; is that your testimony?</p> <p>14 A. I just don't know the answer to that at</p> <p>15 this point in time.</p> <p>16 Q. Would the allotments to each customer</p> <p>17 class change throughout the year?</p> <p>18 A. Throughout which year?</p> <p>19 Q. In a calendar year, let's say.</p> <p>20 A. There is no allocation of the allotment</p> <p>21 among classes after December 31 of 2011.</p> <p>22 Q. Okay. So the only thing that would</p> <p>23 change would be the cap itself, correct?</p> <p>24 A. The cap would change annually.</p>
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<p>1 A. That's correct.</p> <p>2 Q. You'll accept that subject to check.</p> <p>3 A. I'll accept it.</p> <p>4 Q. Okay. And isn't it true -- well, so have</p> <p>5 you been able to calculate the allotments?</p> <p>6 A. The company is in the process of</p> <p>7 calculating those allotments.</p> <p>8 Q. And when will that be finished?</p> <p>9 A. People are working on it. It will be</p> <p>10 finished when the data is accurate enough to</p> <p>11 disseminate.</p> <p>12 Q. Okay. So you can't tell me when it's</p> <p>13 going to be finished?</p> <p>14 A. At this time I can't tell you when it</p> <p>15 will be finished.</p> <p>16 Q. Is it your expectation that it will be</p> <p>17 finished before the hearing ends in this case</p> <p>18 assuming the hearing goes for a week and a half?</p> <p>19 A. It's possible that it would be completed</p> <p>20 before the end of the hearing.</p> <p>21 Q. And how do you intend to let folks</p> <p>22 outside of AEP know what those allotments are? Let</p> <p>23 me back up. Do you intend to let folks outside AEP</p> <p>24 know what those allotments are?</p>	<p>1 Q. Right. And that was my question, the cap</p> <p>2 only changes annually, correct?</p> <p>3 A. Yes.</p> <p>4 Q. And what is -- what is -- what would be</p> <p>5 the process for -- or would there be a process for</p> <p>6 Commission review of the cap in any year?</p> <p>7 A. As indicated on page 3 of Appendix C in</p> <p>8 the section titled "Determination of the Cap,"</p> <p>9 paragraph 2, "The Cap shall be submitted to the</p> <p>10 Commission through a filing by September 31 of the</p> <p>11 preceding year." And that date should be</p> <p>12 September 30.</p> <p>13 Q. Okay. So would it be an -- you would --</p> <p>14 you would at least be publishing it to the world by</p> <p>15 then, by September 30?</p> <p>16 A. It would be submitted to the Commission</p> <p>17 through a filing. Whether or not that data would be</p> <p>18 redacted or not is something that has to be</p> <p>19 determined working with the Commission.</p> <p>20 Q. Okay. Would it be your understanding</p> <p>21 that the Commission could revise the cap once the</p> <p>22 filing was made?</p> <p>23 A. My expectation would be that the only</p> <p>24 adjustment to the cap that the Commission could make</p>

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1 is if the company had a mathematical error in their
2 estimation of the inputs to the cap that have been --
3 that have been set by the stipulation and
4 recommendation.

5 Q. Okay. Well, one of the determinants is
6 the amount of load in the prior year?

7 A. The determinant is the 12-month period
8 ending June and -- 12-month period ending June.

9 Q. And the load for that 12 months?

10 A. The kilowatt hour sales for that 12
11 months.

12 Q. Okay. Let's say the Commission could
13 disagree with what you report is the load, right?

14 A. They could determine that what the
15 company reported was -- was inaccurate but that --
16 but not a judgment about what the load should have
17 been, what the load actually was.

18 Q. The Commission could make that
19 judgment -- could not make that judgment.

20 A. I'm sorry. What judgment are you
21 referring to?

22 Q. What the load actually was.

23 A. My view of what the Commission's review
24 would be is to determine if the company accurately

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1 represented the load for the 12-month period ended
2 June, the weather adjustment done was appropriate,
3 and the mathematical calculations the company did
4 were accurate.

5 Q. So there might be adjustments to the
6 load, correct?

7 A. Only if the Commission found there was an
8 error in the company's data.

9 Q. Okay. I thought you said that the
10 Commission could look at the load and any adjustments
11 to the load.

12 A. There is a weather adjustment that's
13 included.

14 Q. So the Commission might determine the
15 weather adjustment is inappropriate; they could do
16 that, right?

17 A. The method for determining the weather
18 adjustment will be included within the detailed
19 implementation plan.

20 Q. But they could determine that was
21 incorrect, correct?

22 A. At this point I don't know.

23 Q. Okay. Now, could you describe for me the
24 process for notification of cap availability to CRES

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1 providers?

2 A. That's something that's being developed
3 as part of the detailed implementation plan.

4 Q. Okay. Is there any current thinking
5 within AEP as to what that process would entail?

6 A. At this point we are evaluating the most
7 efficient way to do that.

8 Q. There is a cap tracking system that is
9 supposedly to be developed; is that correct?

10 A. That's correct.

11 Q. And what is the estimated completion time
12 of that?

13 A. As indicated in the stipulation, the
14 company has committed to have that cap tracking
15 system available and operational within 60 days of
16 the issuance of the order.

17 MR. KUTIK: Let's go off the record.

18 (Discussion off the record.)

19 MR. CONWAY: Can I just have the Q and A?

20 MR. KUTIK: Sure.

21 (Question and answer read.)

22 Q. Will there be a way to track the cap
23 availability before that system is in place?

24 A. It's possible and that's another item

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1 that the company would have to work with the
2 Commission and their staff on how to appropriately do
3 that and once the company has the capability of
4 providing that data.

5 Q. So you are not in a position today at
6 least to describe how the cap might be tracked before
7 the cap tracking system is completed?

8 A. That's correct.

9 Q. Now, does AEP Ohio keep data on shopping?

10 A. I think you are going to have to be more
11 precise on what that data you are requesting is.

12 Q. Okay. Well, for example, do they keep
13 data on which customers are shopping and which
14 customers aren't shopping?

15 A. I think we have those records, yes.

16 Q. Okay. And does AEP Ohio have data on
17 aggregate shopping customers in terms of knowing the
18 number of customers that have shopped?

19 A. Yes.

20 Q. And the percentage of customers that have
21 shopped?

22 A. I think that to be true, yes.

23 Q. Okay. Are you aware of any of those
24 pieces of information?

30 (Pages 117 to 120)

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1 A. I know that the company has evaluated
2 that and published that information on the Commission
3 website I think it's on a quarterly basis.

4 Q. Okay. But you don't know that?

5 A. I know that we publish customer shopping
6 data.

7 Q. In other words, you don't -- you don't
8 know the number of customers who have shopped; you
9 don't know the percentage of customers who have
10 shopped?

11 A. That's correct.

12 Q. Would it be the same to say you don't
13 know what load is represented by shopping customers?

14 A. That's correct.

15 Q. And would it be fair to say that you
16 don't know the number of customers, percentage of
17 customers, or the load of shopping customers by any
18 particular class?

19 A. That's correct.

20 Q. Do you -- are you aware of the percentage
21 of shopping customers by any particular rate code?

22 A. No.

23 Q. Or are you aware of the number of
24 customers that are shopping in any particular rate

1 A. I know I saw some data that was submitted
2 in response to discovery in the case, and I think
3 that was -- had been validated and provided to all
4 the parties.

5 Q. And were you the -- were you the witness
6 responsible for that -- those interrogatories?

7 A. No, I wasn't. I wasn't a witness in the
8 case at that point in time.

9 Q. Okay.

10 MR. CONWAY: Excuse me. I got --

11 MR. KUTIK: Do you want to go off the
12 record?

13 MR. CONWAY: Just for a minute.

14 (Recess taken.)

15 Q. Go back on the record. Are there any
16 groups that are currently oversubscribed to your
17 knowledge?

18 A. I don't know.

19 Q. Did you indicate on Monday that there
20 were -- was a group that was oversubscribed?

21 A. Not to my knowledge, no.

22 Q. You didn't indicate that you thought that
23 commercial customers were oversubscribed or would be?

24 A. No. I think there was a hypothetical

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1 class?

2 A. No.

3 Q. Are you aware of any shopping statistics
4 as of June 1, 2011?

5 A. I don't know that I know of data as of
6 June 1, 2011.

7 Q. Do you know data as of September 7, 2011?

8 A. No, I do not.

9 Q. Okay. Of all the data I have just
10 mentioned for shopping, have you seen any of that
11 data recently?

12 A. I've seen the data that the company
13 published on the Commission website as reflecting to
14 the best of my recollection it's the shopping that
15 occurred through the end of June.

16 Q. Okay. That's all you are aware of
17 seeing?

18 A. That's all that I am aware of seeing that
19 was complete and accurate, yeah.

20 Q. Well, have you seen other data that you
21 may not know whether it's complete or accurate?

22 A. I've seen some draft documents.

23 Q. Okay. What draft documents have you
24 seen?

1 describing how the -- how the pro rata allocation
2 would be if a class exceeded their 21 percent.

3 Q. Okay. So that was not a statement of
4 fact you were making about any particular class being
5 oversubscribed on Monday?

6 A. No. It was a hypothetical. There were
7 several questions about how would that pro rata be
8 calculated.

9 Q. So, again, you did not indicate -- you've
10 never indicated that any particular customer class
11 was oversubscribed; is that correct?

12 A. To the best of my knowledge, that's
13 correct.

14 Q. Now, if a particular class is
15 oversubscribed, how does that affect the ability of
16 other customers to get satisfied?

17 A. As described in -- on page 3 of 5 of the
18 Appendix C in the "Securing RPM Set-Aside" in
19 paragraph 1 there, if one of the classes exceeds 21
20 percent, then the available allotment to the other
21 classes would be reduced to a number below 21 percent
22 such that the total for all classes was 21 percent.

23 Q. So how would it be determined that a
24 particular class could be above 21 percent?

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1 A. It would be based upon the data that
2 exists as of September 7, 2011, the number of
3 customers that had either the kilowatt hours
4 associated with the customers that have shopped or
5 provided a 90-day notice that they are shopping --

6 Q. Okay.

7 A. -- of their intent to shop.

8 Q. So if -- is it the case that if there
9 were group one and group two commercial customers and
10 that -- and the load for those customers was greater
11 than 21 percent, those customers might be able to get
12 allotments if -- ahead of a residential customer?

13 A. I don't think I can answer the question
14 as you've asked it.

15 Q. Okay. Well, I am still trying to
16 understand how you can adjust downward other classes
17 once one class is oversubscribed. Can you explain
18 that to me?

19 A. Sure. I thought I did, but I'll try
20 again. If an individual class exceeds 21 percent,
21 the amount allocated to the other classes would be
22 reduced below a 21 percent level such that the
23 weighted amount for all three classes would equal 21
24 percent.

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1 Q. Well, in terms of a class being
2 oversubscribed, would that have to be solely group
3 one?

4 A. No.

5 Q. Okay. Would it be solely group one and
6 group two?

7 A. No.

8 Q. Okay. Could it be group -- all the way
9 down to group five?

10 A. No.

11 Q. Okay. So it's group one, group two, and
12 group three?

13 A. No.

14 Q. All right. So explain how a class could
15 be oversubscribed --

16 A. It's a sum of the --

17 Q. -- in reference to groups.

18 A. And I was trying to get there so.

19 Q. Okay.

20 A. It would be the sum of the allotments
21 under group one and group two, group three, and group
22 four.

23 Q. Okay.

24 A. Group five customers take service after

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1 September 7, so they wouldn't be included in the
2 initial determination of the amount that goes into
3 the allotment. That September 7 date is critical for
4 the determining of how the RPM set-aside gets
5 reallocated amongst the classes if one of the classes
6 exceeds 21 percent at that point in time.

7 Q. Okay. So one of the first things you'll
8 do is see how many customers fit how much -- how many
9 customers fit within groups one through four for each
10 class?

11 A. We would determine the allotments that
12 would have been provided as of September 7 for each
13 class and that would give us the universe of
14 allotments at that point in time, and then those
15 allotments by class would be compared to the
16 21 percent threshold.

17 Q. Okay. And are we talking only allotments
18 in groups one through four?

19 A. There can be no allotments in group five
20 until after September 7 per the definition in the
21 stipulation.

22 Q. Okay. If all of the classes are above 21
23 percent, what happens then?

24 A. I don't think the stipulation addresses

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1 that scenario.

2 Q. Do you have any notion as to how that
3 would be handled?

4 A. No.

5 Q. Would your answer be the same if some but
6 not all of the customer classes were oversubscribed?
7 Again, you don't really know how that would happen or
8 what you would do?

9 A. I don't think that was my answer. I
10 think your -- your prior question -- maybe we can
11 have the prior question reread and make sure I
12 understand what you were asking.

13 Q. My prior question was what would happen
14 if all the customer classes were oversubscribed?

15 A. And my answer to that question is we
16 haven't determined what would happen at that point.

17 Q. All right. So you don't know.

18 A. I don't know.

19 Q. Okay. And my next question was would
20 your answer be the same, that is, you don't know in
21 the situation where some but not all, that is, more
22 than one but not all of the customer classes were
23 oversubscribed?

24 A. No. I think I provided an answer to that

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1 that we would reallocate the remainder that was under
2 the 21 percent on a pro rata basis among the class or
3 classes that were below the cap.

4 Q. Okay. So you would -- let's say someone
5 was -- one class was at 13 and one class was at 25
6 percent.

7 A. Okay.

8 Q. And another class let's say at 10
9 percent. Okay. So how would that be allocated?

10 A. In that scenario assuming that that was
11 the shopping levels that got allotments based on
12 September 7 data, then whatever was available we
13 basically take 21 percent of the 47 million kWh,
14 subtract out the allotments that had gone to the two
15 classes that were above the 21 percent, whatever the
16 remainder was would be then allocated to the class
17 that was below the cap.

18 Q. Okay. Is it the company's expectation
19 that not all of the classes will be oversubscribed
20 for the first year?

21 A. At what point in time are you referring
22 to?

23 Q. Up through let's say January.

24 A. I don't think the company knows the

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1 requirement must provide that requirement in order to
2 shop -- must provide that notice in order to shop?

3 A. Can you repeat the question?

4 Q. Sure. Is it the case that a commercial
5 or industrial customer that currently has the
6 requirement to provide a 90-day notice must provide
7 that notice before the end of the year if they want
8 to shop?

9 A. Not necessarily. This stipulation
10 provides that that 90-day notice provision will be
11 eliminated prior to the end of this year, so to the
12 extent that that 90-day notice provision is
13 eliminated prior to this year, those customers would
14 not be required to provide that notice.

15 Q. Is there an expectation then that the
16 90-day notice requirement will end upon the
17 Commission approval of the stipulation?

18 A. The 90-day notice provision will end
19 prior to the end of 2011 if the Commission approves
20 the stipulation and recommendation.

21 Q. Okay. But that's not my question. My
22 question is will it end that requirement?

23 A. Then the answer to that question is I
24 don't know.

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1 answer to that. It's dependent upon the customer
2 choices and there's -- customers have the ability to
3 shop above the 21 percent and still receive capacity
4 at a discounted price.

5 Q. So, again, the company has no expectation
6 with respect to whether all customer classes will be
7 oversubscribed?

8 A. That's correct.

9 Q. Now, isn't it the case that all customers
10 who want to switch have to provide a 90-day notice?

11 A. That's not true.

12 Q. Okay. Which customers have to supply a
13 90-day notice?

14 A. Those customers that have contracts with
15 the company that required a 90-day notice.

16 Q. Is there a particular customer class
17 that's required to provide a 90-day notice?

18 A. It's based on the terms and conditions of
19 service. Generally it would be commercial and
20 industrial customers but not all commercial and
21 industrial customers.

22 Q. Okay. Is it the case that prior to the
23 end of this year under the stipulation a commercial
24 or industrial customer that has a 90-day notice

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1 Q. Okay. Is that something that the
2 Commission has to decide or parties have to agree to?

3 A. I think I just provided the conditions of
4 that being terminated prior to the end of this year.

5 Q. So that's the only thing the stipulation
6 says.

7 A. Can you please provide a full question?

8 Q. Sure. My question is you just -- you
9 just talked about that the notice will end before the
10 end of the year, correct?

11 A. I indicated that the notice would end
12 prior to -- the notice requirement would end prior to
13 the end of 2011 if the Commission approved the
14 joint -- the joint stipulation and recommendation and
15 approved that provision of the stipulation.

16 Q. Okay. And if they approve the
17 stipulation including that provision, will it -- will
18 the requirement for 90-day notice end upon the
19 approval, or will it be some later date?

20 A. As indicated at the bottom of page 14 of
21 the stipulation, "By the end of 2011, the 90-day
22 Notice Requirement that certain customers must give
23 before they can enroll with a CRES provider will be
24 eliminated."

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1 Q. Okay. Go ahead.

2 A. The stipulation provides no additional
3 information on whether that would occur prior to the
4 end of 2011. It just indicates it will happen by the
5 end of 2011.

6 Q. So would it be up to the Commission to
7 decide when to end the notice requirement before the
8 end of the year?

9 A. Possibly.

10 Q. Okay. The Commission could do that; that
11 would not be inconsistent with the stipulation if
12 they picked a specific date.

13 A. I think that's a legal conclusion that I
14 can't.

15 Q. You have no view on that.

16 A. I have no view.

17 Q. Now, you are aware that there are
18 communities that have passed ordinances that allow
19 municipalities to act as aggregators for residential
20 customers.

21 A. Yes.

22 Q. Are you aware of any such communities?

23 A. Yes, I am.

24 Q. Do you know their names?

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1 A. I can name one.

2 Q. Okay.

3 A. Radnor Township.

4 Q. Is that where you live?

5 A. It is.

6 Q. Okay. Are you aware of any others?

7 A. City of Reynoldsburg.

8 Q. Okay. Any others?

9 A. Those are the only two that come to mind.

10 Q. Throughout this process have you spoken
11 to anyone who represents any municipality that
12 currently acts as an aggregator?

13 A. The only representatives of
14 municipalities that I've spoken to through this
15 process are the representatives of the City of Grove
16 City and Hilliard that were intervenors in this case,
17 and I don't know if they have governmental
18 aggregation in those communities.

19 Q. So other than them you are -- have you
20 spoken to any municipal representative?

21 A. Not that I am aware of, no.

22 Q. Are you aware there are some communities
23 within AEP Ohio territory that have scheduled for
24 consideration on this November's ballot ordinances

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1 authorizing the municipalities to act as an
2 aggregator?

3 A. I am aware there are communities in our
4 service territory that have done that, yes.

5 Q. Do you know which ones?

6 A. I do not.

7 Q. Are you aware of the process for
8 customers being part of a governmental aggregation,
9 how that process works?

10 A. In a very general sense, yes.

11 Q. Okay. Well, for example, are you aware
12 that to begin the process there has to be an
13 ordinance?

14 A. I don't think that's true in all
15 circumstances, but I'm not positive.

16 Q. Okay. Are you aware that these
17 ordinances must be voted upon by the electors in the
18 municipality?

19 A. My understanding is that's true for
20 opt-out aggregation.

21 Q. Okay. Are you aware of where there is
22 some type of certification process that follows the
23 decision at the ballot box?

24 A. No.

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1 Q. So if there was a process like that, you
2 don't know how long that would take?

3 A. That's correct.

4 Q. Are you aware of any required time for an
5 opt-out aggregation plan to allow customers to opt
6 out?

7 A. No, I'm not aware of that.

8 Q. So you don't know whether it's two days?
9 A month? You have no clue?

10 A. My understanding is it's less than a
11 month and greater than two days, but I don't know
12 what the exact requirements are.

13 Q. Okay. Do you know how long it takes a --
14 back up.

15 Do you know whether once the opt-out
16 process has completed whether AEP is required to
17 produce a -- a list of customers?

18 A. I don't know.

19 Q. Okay. And so it would be fair to say if
20 there is such a process, you don't know how long that
21 process takes?

22 A. That's correct.

23 Q. Do you know whether there is a rescission
24 period?

34 (Pages 133 to 136)

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1 A. My understanding is there is a rescission
2 period, but I don't know the specifics of it.

3 Q. And do you know what the difference
4 between a rescission period and an opt-out period is?

5 A. I do not.

6 Q. Do you think they are the same?

7 A. I don't know.

8 Q. Okay. Do you know whether there are any
9 limits on the number of new enrollments that are
10 allowed through the EDI?

11 A. I do not know.

12 Q. So would it be fair to say that with
13 respect to these communities that are considering an
14 aggregation ordinance on the ballot, you don't know
15 how long it would take from whatever election day is
16 this year to have those customers have valid
17 contracts under your view?

18 A. That's correct. I don't know how long
19 that would take.

20 Q. Okay. Do you have any notion as to
21 whether it would be a month? Four months? Or
22 absolutely don't know?

23 A. I don't know.

24 Q. You do appreciate that for these

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1 communities that are considering municipal
2 aggregation ordinances, those customers would not be
3 considered to have valid contracts for at least
4 through November, correct?

5 A. You started your question with "you do
6 appreciate." I am not sure what your question is.

7 Q. Well, you say you really don't understand
8 the timing, and I'm just trying to understand if you
9 have at least some general idea. That's what I meant
10 by "do you appreciate." And so what I'm trying to
11 see if you can appreciate or have a general idea
12 about is the fact that if we have these ordinances
13 that are up for -- on the ballot box and assuming
14 they passed, that these customers wouldn't be
15 eligible for affidavits or signing up queue through a
16 governmental aggregation program at least through
17 November?

18 A. The only thing I can agree to is up until
19 the election day, those customers wouldn't be able to
20 have valid contracts. I don't know how long it takes
21 after that.

22 Q. Okay. And it would be fair to say that
23 in working on Appendix C you didn't take it to inform
24 yourself of that issue in terms of how much time it

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1 would take, correct?

2 A. I did not look at governmental
3 aggregation that has not yet occurred.

4 Q. And, again, you didn't inform yourself of
5 the process by which opt-out customers could first
6 become a customer under your view of a CRES provider
7 for communities that had opt-out aggregation
8 ordinances on their ballots?

9 A. I did not evaluate that situation.

10 Q. Are you aware of any studies or analyses
11 that AEP has done with respect to the impact of the
12 RPM set-aside on shopping?

13 A. You are going to have to clarify what you
14 mean by impact of shopping on the RPM set-aside.

15 Q. Any effect.

16 A. The RPM set-aside provides significantly
17 discounted capacity that depending on the cost
18 structure of a CRES would allow greater levels of
19 shopping than if the capacity grade charged to CRES
20 was at a higher level.

21 Q. But my question was are you aware of any
22 studies or analyses of the effect of the RPM
23 set-aside on shopping?

24 A. No.

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1 Q. Are you aware of any studies or analyses
2 that have been done by AEP on the impact of capacity
3 prices on shopping?

4 A. The company has looked at the potential
5 headroom that would exist for a CRES provider based
6 upon various levels of capacity charges.

7 Q. Okay. And you've seen that?

8 A. I have.

9 Q. Is that something you considered when you
10 were drafting Appendix C?

11 A. No.

12 Q. Was that something you've seen since you
13 were tasked with being involved in Appendix C?

14 THE WITNESS: Can you repeat the
15 question?

16 (Question read.)

17 A. My recollection is it was before.

18 Q. Okay. Do you know who prepared the study
19 for analysis?

20 A. At least one of the analyses I prepared.

21 Q. Okay. And with respect to the other
22 analyses that you've looked at on this subject, who
23 prepared those?

24 A. To the best of my recollection, they came

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1 from our commercial operations, but I don't know who
2 all the entities that may have been involved with
3 were. Trisha Kretschke would have been one
4 individual.

5 Q. And did Ms. Kretschke provide that to
6 you?

7 A. I don't know that she provided the
8 analysis to me, but I was aware of the results of
9 that analysis.

10 Q. Okay. But did you see it, the analysis,
11 or did somebody just tell you about it?

12 A. I don't think I saw the actual analysis.

13 Q. Okay. And what were you told about it?

14 A. How the market price of energy combined
15 with the capacity price a CRES would provide to the
16 company as well as all the ancillary services that go
17 with that would compare to the price to compare for
18 the company.

19 Q. And what was that comparison?

20 A. I don't follow your question. It was a
21 comparison.

22 MR. KUTIK: Well, could you read his
23 answer, please.

24 (Answer read.)

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1 Q. I thought you were talking about a
2 comparison, were you not?

3 A. There was a comparison done, yes.

4 Q. Okay. So tell me what that comparison
5 was.

6 A. I think I described the two things we
7 compared.

8 Q. Yeah. Can you be more specific in terms
9 of numbers?

10 A. What the results of the comparison were;
11 is that what you are asking?

12 Q. Yes.

13 A. I'm sorry, I'm an engineer. That's the
14 way I think.

15 Q. So we've got it cleared up. So can you
16 answer the question now?

17 A. The results indicated that -- and I have
18 done some and I have seen some but generally the
19 results of those comparisons show that the RPM-priced
20 capacity there is significant headroom for CRES
21 providers to provide service to retail customers as
22 compared to our SSO prices, the price to compare.

23 Q. Was there any -- well, when you said
24 significant headroom, can you be more specific?

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1 A. I don't recall the exact values.

2 Q. Okay. Can you recall in a ballpark?

3 A. It varies by year based on the RPM price
4 and the different prices that the RPM creates is
5 the -- as supplemental options have occurred, I just
6 don't recall the number off the top of my head.

7 Q. And you don't recall as a ballpark
8 either?

9 A. My recollection for 2011 is it was north
10 of \$10 a megawatt hour.

11 Q. Did you -- or did these analyses compare
12 the price of capacity at any price other than the
13 RPM?

14 A. Yes.

15 Q. Okay. What other prices?

16 A. One would have been the \$255 a megawatt
17 day. One would have been \$175 a megawatt day. Those
18 are the two that come to mind.

19 Q. Okay. And do you recall what the result
20 of the comparison was of the price to compare versus
21 what might be called a CRES price for any of these
22 other values?

23 A. Depending upon the CRES provider's cost
24 structure under each of those capacity prices there

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1 are scenarios where there's headroom for the CRES
2 provider to continue to provide offers to retail
3 customers and have headroom.

4 Q. Okay. What scenarios?

5 A. It depends on what day and time you take
6 a look at the market price of energy for the forward
7 period, what capacity price was assumed there. And
8 then there are other analyses that could be done on a
9 customer-specific basis that the company did not
10 endeavor to do that would likely result in specific
11 customers still having significant headroom in any of
12 those levels based upon their specific circumstances.

13 Q. Okay. Could you give me a specific
14 circumstance that describes a scenario where a CRES
15 provider would have "headroom" where the capacity
16 price is at 255?

17 A. If the cost that they were providing that
18 service at, you know, based upon whatever their
19 production costs were within a reasonable level of
20 production costs for their facilities that could
21 occur.

22 Q. Can you be any more specific than that?

23 A. I can't.

24 Q. Okay. Now, when you made the comparison

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1 of what I will call the CRES price versus the price
2 to compare with the capacity at the RPM price, did
3 you use a specific set of cost parameters and
4 assumptions?

5 MR. CONWAY: Could you read that question
6 back for me, please.

7 (Question read.)

8 A. The market data was provided to me. I
9 don't know what the underlying fundamental data they
10 used was.

11 Q. Okay. Did you use that same market data
12 to make the comparison between the CRES price and the
13 price to compare when the capacity price was at 255?

14 A. I did. I did a set of analyses with the
15 same underlying data at 255, 175 RPM.

16 Q. Is that -- does that document still
17 exist?

18 A. I don't know.

19 Q. So it's possible you could have destroyed
20 that document?

21 A. It's possible as part of the normal
22 process of business, but I don't know.

23 Q. Okay. How long ago did you create that
24 document?

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1 A. It could have been several weeks ago,
2 maybe well over a month.

3 Q. Would it be during the -- during the term
4 of the negotiations of the settlement in this case?

5 A. Possibly.

6 Q. Okay. If asked to retrieve that
7 document, could you retrieve it?

8 A. Possibly.

9 MR. KUTIK: Okay. Counsel, we will be
10 asking for that.

11 MR. CONWAY: Okay.

12 MR. KUTIK: Let's mark this as Allen
13 Exhibit 1.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 Q. Mr. Allen, the court reporter has handed
16 you what has been marked as Allen Exhibit 1. This is
17 a -- do you recognize this as a response to
18 FirstEnergy Solutions 17th Set Interrogatory
19 STIP-FES-INT-17-040?

20 A. Yes, I recognize this.

21 Q. And it says that you prepared this,
22 correct?

23 A. That's correct.

24 Q. I want to refer you to question B. It

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1 says "If this is a gap in the period of time in which
2 a shopping customer takes service from a CRES
3 provider(s), does the customer still retain the right
4 to RPM-priced capacity?" Do you see that?

5 A. I see that.

6 Q. And your answer was to "See Appendix C of
7 the Stipulation and Recommendation."

8 A. Yes, that's my answer.

9 Q. Could you point me to the specific
10 provision in Appendix C that answers that question
11 properly?

12 A. I think I properly answered that question
13 here, so I don't agree with your connotation.

14 Q. We will disagree about that.

15 A. It's pretty clear --

16 Q. This is obviously a nonresponsive answer,
17 Mr. Allen. So go ahead.

18 MR. CONWAY: If you wouldn't mind not
19 talking over the witness when he is responding, I
20 would appreciate it.

21 MR. KUTIK: Sure.

22 Q. Now, please point me to the appendix that
23 answers this question.

24 A. Appendix C.

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1 Q. Yes.

2 A. Page 1, Group One -- it's pretty clear at
3 the bottom of the page, "A Group One Customer that
4 discontinues retail access service and returns to
5 standard service offer service will lose its Group
6 One status."

7 Q. So the answer to the question is -- to
8 the question "does the customer still retain the
9 right to RPM-priced capacity," the answer is no?

10 A. The answer is no as clearly indicated in
11 Appendix C, yes.

12 Q. You didn't say that in this answer, did
13 you, sir?

14 MR. CONWAY: Objection.

15 A. I think I did answer it in the answer to
16 that question.

17 Q. Does the word "no" appear in the answer
18 to Interrogatory 17-40(b)?

19 A. In fact, the word "not" is not in that
20 answer.

21 Q. Okay. Thank you.

22 I am not going to mark this as an
23 exhibit. I am just going to show it to you. I don't
24 want to read the question Interrogatory 17-046(g).

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1 Question is "Would a Group Two Customer account that
2 increases usage by more than 10 percent be shifted to
3 Group Three, or does the customer remain in Group
4 Two?" And your answer is "Yes," correct?
5 A. That's correct.
6 Q. Which are you answering "yes" to? Both
7 questions or which question?
8 A. It would be to the first part of the
9 question.
10 Q. Now, is it correct to say that a shopping
11 customer that is in group one who expands its load
12 retains the right to a set-aside regardless of
13 whether the cap is met?
14 A. That's correct.
15 Q. Okay. Why is that the case?
16 A. Because that's what Appendix C indicates
17 is the definition of group one customer.
18 Q. Okay. Can you explain to the Commission
19 why a customer in that circumstance should get
20 that -- that priority or that treatment?
21 A. It's an element of the stipulation.
22 Q. Okay. Is that all you can say in terms
23 of why that customer should receive that type of
24 treatment, that that's what we agreed to?

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1 A. At this point in time, yes.
2 Q. Okay. Now, a G2 customer that shops and
3 expands only gets the set-aside for the expanded load
4 if there is room under the cap, correct?
5 A. Can you explain a G2 customer?
6 Q. A group two customer.
7 A. Can you repeat the question, please?
8 Q. Sure. A group two customer that shops
9 and expands its load only gets a set-aside if there's
10 room under the cap, correct?
11 A. That's correct.
12 Q. And why is that customer treated
13 differently than a group one customer?
14 A. It's an element of the stipulation.
15 Q. Okay. Other than the fact that it's in
16 the stipulation can you provide any basis for why a
17 group one customer that expands should be treated any
18 differently than a group two customer?
19 A. The reason is they have been taking CRES
20 service for longer than a group two customer.
21 Q. Any other reason?
22 A. Not that I can think of at the moment.
23 Q. Okay. Are there circumstances under
24 which a group two customer may be awarded additional

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1 allotments assuming this is expansion even if the
2 set-aside exceeds the cap?
3 MR. CONWAY: Could you read the question
4 back?
5 Q. Let me try it a different way. Is there
6 any -- any circumstance where the cap has been met
7 that a group two customer can receive an allotment
8 for expanded load?
9 A. Yes.
10 Q. And what's that circumstance?
11 A. If the expansion is less than 10 percent.
12 Q. Is there any circumstance where the
13 expansion is more than 10 percent where the group two
14 customers can get a set-aside if the cap is met?
15 A. If the cap is exceeded?
16 Q. Yes.
17 A. Not until additional room is made
18 available under the cap.
19 Q. Okay. Now, the allotment is made for a
20 particular customer based upon the customer's usage
21 for the prior year, correct?
22 A. For a prior 12-month period, yes.
23 Q. Okay. And is it correct to say that if
24 the customer's load happens to go over that amount in

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1 the following year, the customer would still get
2 capacity at the RPM price?
3 A. Other than in the condition of a greater
4 than 10 percent expansion, as a customer's load grows
5 over time just due to normal changes in load, the
6 recalculation of their allotment would be done each
7 year. But any customer that had an allotment in a
8 prior year that did not exceed the 10 percent would
9 remain under the RPM set-aside and would continue to
10 receive allotments.
11 Q. So as long as the customer's load doesn't
12 grow in any successive year by 10 percent, they are
13 still good if they have it initially in group two?
14 A. Group two customers that continue to take
15 service from a CRES and don't have usage increases
16 greater than 10 percent would continue to receive
17 allotments in each subsequent year.
18 Q. Okay. But let's say in -- in the first
19 year it turns out that they have a load that's 11
20 percent greater than the prior year for which the
21 initial calculation was made. What happens in the
22 second year in terms of that customer getting an
23 allotment?
24 A. Under most situations that I can envision

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1 the -- they would get the allotment. The allotment
2 would be under the RPM set-aside in the second year
3 because group two have priority over group four,
4 group five customers.

5 Q. So it's your expectation that even though
6 they expanded by over 10 percent because of their
7 place in the overall queue they would probably
8 qualify?

9 A. The expectation would be that they would
10 have usage outside of their allotments for a period
11 of less than a year. They would -- it would be until
12 the next increase in the annual allotments from 21
13 percent to 31 percent. Typically their usage would
14 fall under that.

15 Q. Okay. I understand. What is the process
16 for a group one or group two customer to request
17 additional allotments?

18 A. Group one customers aren't required to
19 request additional allotments. Allotments would be
20 assigned based on their usage for the prior year.
21 That would be the same for group two customers except
22 for those group two customers that were expanding by
23 greater than 10 percent.

24 Q. So a customer that would seem to expand

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1 over 10 percent, a group two customer, how would that
2 customer need to apply for additional allotments?

3 A. As part of the normal process under their
4 contracts, the company when they expand usage above
5 their contract capacity, they are required to inform
6 us of that, and at that point in time that's when the
7 company would evaluate where they would fit within
8 the cap.

9 Q. Okay. Are there any rules or
10 procedures -- procedures that the company plans to
11 draft to cover that evaluation?

12 A. That's part of the detailed
13 implementation plan that's currently being developed.

14 Q. So that hasn't been done yet.

15 A. No, it hasn't been done.

16 Q. How does one become a G3 customer or
17 group three customer?

18 A. A customer becomes a group three customer
19 if they seek to expand usage at their facility by
20 greater than 10 percent and they are certified by a
21 CRES provider.

22 Q. Okay. Is that the same -- are your
23 answers the same as they were with respect to
24 expanding group two customers, that that's the

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1 process that has to be developed as part of the
2 detailed implementation plan, that's not been done
3 yet?

4 A. The determination of which customers are
5 group three is -- the process by which to determine
6 that is being expanded, is part of the implementation
7 plan.

8 Q. So, in other words, sitting here today we
9 really don't understand the details of the process by
10 which someone could become a group three customer,
11 correct?

12 A. No. I think we -- I think it's clear
13 what defines a customer as a group three customer. A
14 group three customer is one that expands greater than
15 10 percent.

16 Q. That wasn't my question. My question was
17 about the process. We don't know the details of the
18 process to become a group three customer sitting here
19 today, do we?

20 A. The process by which the company would
21 have assigned group one, group two, group three,
22 group four, and group five status is being developed
23 as part of the detailed implementation plan that I've
24 described previously.

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1 Q. And we don't know what these details are
2 sitting here today, correct?

3 A. We won't know those details until the
4 implementation plan is developed.

5 Q. Okay. Now, can you explain the basis for
6 putting a group three customer ahead of a customer
7 that provided notice that they were going to switch
8 prior to September 7?

9 A. A group three customer is a customer
10 that's already taking service from a CRES provider.
11 And the group four customers are customers that have
12 not yet taken service from a CRES provider and may,
13 in fact, not take from a CRES provider. They have
14 only provided a 90-day notice.

15 Q. Is there any other reason for referring a
16 group three customer over a group four customer?

17 A. Not that comes to mind as we sit here
18 today.

19 Q. Okay. Now, part of being a group one
20 customer is that they were taking service from a CRES
21 provider before January 1, 2011, correct?

22 A. No, that's not correct.

23 Q. Okay. Well, July 1, 2011, correct?

24 A. With that correction, that's correct,

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1 yes.

2 Q. Thank you. Why is that date the proper
3 date to delineate a group one customer from any other
4 customer?

5 A. That was determined as part of the
6 settlement process.

7 Q. Okay. And other than that it was
8 determined as part of the settlement process, is
9 there any other rationale that supports separating
10 group one customers from other customers by this
11 date?

12 A. Distinguishing characteristics of both
13 group one and group two customers is that they were
14 taking service from a CRES prior to the date that the
15 stipulation was signed.

16 Q. All right. But you also have selected a
17 July 1 date, and I want to know is there any basis
18 other than the fact that it was agreed to that would
19 support July 1 as a proper date to delineate between
20 group one and other customers?

21 A. It's the most recent date that customers
22 switching information was available to all the
23 parties in the case through the Commission's website.
24 Other than that I can't think of another but that's

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1 one -- that date is associated with when that
2 information was known to all parties in the case
3 through the Commission's website.

4 Q. How will the first-come, first-serve
5 process work when a CRES provider submits multiple
6 affidavits simultaneously?

7 A. That will be part of the detailed
8 implementation plan but as -- as I see it today, each
9 one of those affidavits that comes in at the same
10 time would have a sequence number within that same
11 point in time. They would all have the time stamped
12 but a -- but an order, and the first customer in that
13 order would have priority over the customer that was
14 last in that order when they submitted the affidavit.

15 Q. That's your view as to how it would work?

16 A. That's my view as how, yes.

17 Q. Okay.

18 A. Or how it could work.

19 Q. Okay. That's another detail that needs
20 to be part of the process of internal review and
21 external review and potentially Commission review,
22 correct?

23 A. That's part of that process, yes.

24 Q. With respect to the group three

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1 customer -- the customer applying to be a group three
2 customer, do you have any idea as to what specific
3 information AEP Ohio will request for that customer
4 relating to potential expansion of usage?

5 A. When the customer provides notification
6 that they are expanding their load, they typically
7 provide what that -- what the magnitude of that
8 expansion is so that the company primarily from a
9 distribution perspective evaluate the ability of the
10 circuit to handle that increased load. I don't know
11 that any additional information beyond the size of
12 the load increase would need to be provided by that
13 customer.

14 Q. And is it just the case that the company
15 would accept the customer's say so that they expect
16 the additional load will be X?

17 A. Typically the customer is providing that
18 in the form of a contract, so the company would
19 typically trust in that statement by the customer,
20 but I'm sure there are times when there's -- and I
21 know there are times actually after the fact where
22 the company does audit contract capacities to make
23 sure the contract capacity of a customer is what they
24 said it is.

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1 Q. So at this point we don't know if there
2 is going to be any confirmation or auditing of the
3 expansion request?

4 A. That's correct.

5 Q. Are you aware of whether AEP Ohio has had
6 discussions with any customer that would qualify as a
7 group three customer?

8 A. Not with regard to their group three
9 status, no.

10 Q. Okay. Well, anything relating to the
11 stipulation.

12 A. I don't know that any of the customer
13 participants in the settlement discussion are
14 planning to have a load expansion greater than 10
15 percent. I just don't know.

16 Q. Outside the signatory parties are you --
17 have you had discussion with any customers that could
18 potentially be eligible or indicated are potentially
19 eligible for group three?

20 A. I have not had any discussions.

21 Q. Are you aware whether those discussions
22 have taken place?

23 A. I know of no discussions that have taken
24 place.

40 (Pages 157 to 160)

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1 Q. If a customer -- let's take a residential
2 customer allotment. If that customer moves, what
3 happens to that customer's allotment?

4 A. The allotment would -- the customer would
5 lose that allotment, and the allotment would be
6 available for the next customer in the queue.

7 Q. Let me direct you to your testimony page
8 13. Let me direct you specifically to the sentence
9 that begins on line 14.

10 A. Okay.

11 Q. You say "If the right to this capacity
12 were to revert to the CRES provider when a customer
13 chose another CRES provider, customers would have a
14 disincentive to switch providers and may ultimately
15 result in higher prices for shopping customers." How
16 would this lead to higher prices?

17 A. If a customer -- if the -- let me start
18 over.

19 If the allotment were assigned to the
20 CRES provider and not the customer, the customer
21 would not be able to shop between CRES providers.
22 The ability of a customer to evaluate one offer from
23 one CRES provider and an offer from another CRES
24 provider would give that customer the ability to seek

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1 lower prices when their contract renewal came up or
2 within the term of their contract as opposed to the
3 CRES provider being -- that they were currently being
4 served from being the only provider that they could
5 shop from and still receive the RPM allotment.

6 Q. I want to turn to a different subject
7 now. I want to talk to you about quantification
8 benefits of the stipulation.

9 A. Okay.

10 Q. Let me refer you to page 18 of your
11 testimony.

12 A. Okay.

13 Q. You have certain assumptions about
14 shopping, correct, that are shown on lines 8 through
15 13?

16 A. I have assumptions for nonshopping. The
17 opposite would be shopping.

18 Q. Right. So, for example, you have an
19 assumption of 79 percent in 2012, correct?

20 A. I assume that 79 percent of customers
21 will not shop in 2012.

22 Q. Right. That means 21 percent of
23 customers will shop. That's the assumption you make.

24 A. That's correct.

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1 Q. Does AEP have any data on what it
2 forecasts for shopping in 2012, '13, '14, '15?

3 A. The company has not developed a forecast
4 of that based upon the provisions of the stipulation.

5 Q. That wasn't my question. Prior to the
6 stipulation did AEP have forecasts as to the amount
7 of shopping within AEP Ohio?

8 A. Yes.

9 Q. And have you seen those forecasts?

10 A. I have.

11 Q. Did you participate in the development of
12 those forecasts?

13 A. I did not.

14 Q. Okay. When you were director of the
15 operating company forecasts, did you participate in
16 those forecasts?

17 A. To a small degree.

18 Q. Okay. That was something that was done
19 within your group?

20 A. It was an input provided to us.

21 Q. Okay. How far out were the forecasts for
22 shopping that you saw when you were director?

23 A. Those forecasts assumed that shopping
24 levels would remain static over the -- if we did

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1 10-year forecasts, they stayed static for the
2 entirety of the 10-year period.

3 Q. I'm not sure that's my question. My
4 question was about not assumed levels of shopping.
5 My question was about forecasted levels of shopping.
6 Were forecasted levels of shopping -- were those
7 forecasts done?

8 A. The forecasted level of shopping was that
9 it would be static over the 10-year period at the
10 levels that currently existed at that point in time.

11 Q. There was no -- there was no forecast by
12 the company that assumed that shopping would grow
13 within AEP Ohio?

14 A. When I was in that role, shopping in Ohio
15 in the Ohio & CSP service territories was very small
16 and assumed to remain at that level.

17 Q. Okay. Have you seen any forecasts for
18 shopping prepared by anyone within AEP that doesn't
19 assume shopping will be stagnant --

20 MR. CONWAY: Objection.

21 Q. -- or level?

22 THE WITNESS: Refers to confidential
23 financial data.

24 Q. All I am asking is yes or no.

41 (Pages 161 to 164)

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1 MR. CONWAY: Let's take a break.
 2 (Recess taken.)
 3 MR. KUTIK: Let's go back on the record.
 4 Could you read the question to the witness, please.
 5 (Question read.)
 6 A. Yes.
 7 Q. Okay. When were those forecasts
 8 prepared?
 9 A. Earlier in 2011.
 10 Q. Okay. What do those forecasts show with
 11 respect to the level of shopping?
 12 A. Generally those forecasts in my
 13 recollection show shopping increasing throughout 2011
 14 and flattening off at the beginning of -- at the
 15 beginning of 2012 and declining through 2012, '13,
 16 and '14 and then remaining flat at a reduced level of
 17 the 2011 levels throughout the remainder of the
 18 forecast period.
 19 Q. The 2012 is the high water mark for
 20 shopping?
 21 A. December of 2011 was the high value.
 22 Monthly data through 2012 would show a decline over
 23 the year. Total shopping in 2012 though would be
 24 greater than total shopping in 2011.

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1 Q. Because?
 2 A. Because shopping in 2011 was forecasted
 3 to ramp up in the second half of '11.
 4 Q. Okay. And what was the maximum value for
 5 shopping in any month?
 6 A. My recollection was in the 10 percent
 7 range.
 8 Q. And that is total load, total customer
 9 load?
 10 A. Total kilowatt hours.
 11 Q. Do you know of any figure for the maximum
 12 forecasted shopping in any customer class?
 13 A. No, I don't recall by class.
 14 Q. Okay. In your calculation of benefits
 15 you use a net present value of 6 percent?
 16 A. That's correct.
 17 Q. How did you settle on that number?
 18 A. It was based on judgment. Depending upon
 19 your viewpoint, be it a customer, the company, or
 20 industrial customer, a variety of different parties
 21 would have different views of what an appropriate
 22 level of discount rate is. And based upon that my
 23 judgment was that a 6 percent discount rate was a
 24 reasonable estimate of the values that was kind of in

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1 between what different parties might use from their
 2 viewpoint.
 3 Q. So it was a value picked using your
 4 judgment?
 5 A. Yes, that's correct.
 6 Q. Is it a value that you have used in
 7 forecasts before this one?
 8 A. I think I have used 6 percent in other
 9 net present value calculations, yes.
 10 Q. Okay. Have you used higher values?
 11 A. I have, yes.
 12 Q. Okay. You also calculated a value of a
 13 benefit based upon the availability of discounted
 14 capacity, correct?
 15 A. I calculated a benefit related to a
 16 portion of the discounted capacity, that's correct.
 17 Q. Okay. And would it be fair to say that
 18 the value of that benefit depends upon the price for
 19 capacity that AEP could properly collect?
 20 A. The value that I calculated for the
 21 discounted capacity was based upon the difference
 22 between the cost of RPM capacity and the cost of base
 23 capacity rate that the companies filed in case
 24 10-2929.

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1 Q. I'm sorry. That doesn't really answer my
 2 question. My question is isn't it true that the
 3 value of that benefit depends upon the price for
 4 capacity that AEP could properly collect?
 5 A. Yes, and I think that's exactly what I
 6 did here.
 7 Q. Okay. Thank you. So, for example, if
 8 the Commission were to determine that, I will use a
 9 number, 355 was not the proper number but actually it
 10 could -- AEP should only be able to have some lower
 11 number, the benefit would be less, correct?
 12 A. If the capacity rate that I assume the
 13 company was discounting from was less than the value
 14 I assumed here, then, in fact, the value of that
 15 discount would be less.
 16 Q. Thank you. Does AEP currently contribute
 17 to the Partnership with Ohio?
 18 A. My memory is that they do.
 19 Q. Do you know the amount of the
 20 contribution?
 21 A. I don't know the amount.
 22 Q. Do you know who pays for that
 23 contribution?
 24 A. I would view it as a shareholder-funded

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1 initiative.

2 Q. Does AEP Ohio currently contribute to the
3 Ohio Growth Fund?

4 A. My memory is that they do.

5 Q. Pardon?

6 A. My memory is that they do.

7 MR. KUTIK: Let's go off the record.

8 (Discussion off the record.)

9 Q. Let's go back on the record. And do you
10 know how much that is?

11 A. I don't.

12 Q. Do you know who pays for that?

13 A. It would be AEP Ohio.

14 Q. Okay. And do you know whether apart from
15 this stipulation there -- that AEP Ohio has currently
16 budgeted to continue its contributions to these two
17 organizations?

18 A. No, they do not currently budget to fund
19 those organizations in 2012 and beyond.

20 Q. Okay. And you know that for a fact?

21 A. That's my understanding, yes.

22 Q. Okay. Who advised you of that fact?

23 A. I have reviewed the O&M forecasts for
24 these -- O&M budgets for the companies, and my memory

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1 did that comparison.

2 Q. Well, is it your view that your pro
3 formas show what will, in fact, happen?

4 A. No forecast ever says what will happen.

5 What it provides is an indication of what the company
6 believes will happen.

7 Q. Correct. And so it may happen or it may
8 not happen, correct?

9 A. That's correct.

10 Q. And my question is did anyone do an
11 analysis of the likelihood that it would happen as
12 opposed to the likelihood it would not happen?

13 A. I think I've indicated I did that
14 analysis, and the result is it's likely that it will
15 happen. That's the analysis.

16 Q. Can you give me a percentage likelihood
17 that your pro formas show what will, in fact, be
18 earned by the company in terms of return on equity?

19 A. I would say there's a greater than
20 50 percent chance that the ROEs that I have provided
21 in my pro formas will be achieved or the earnings
22 will be greater than that.

23 Q. Is it greater than 90 percent?

24 A. I don't know.

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1 is it's not there.

2 Q. Okay. Does -- do these two payments
3 usually appear in the O&M budget?

4 A. Yes.

5 Q. Now, is it fair to say under the
6 stipulation AEP Ohio would only contribute to these
7 two organizations if AEP Ohio achieved a certain rate
8 or return on equity?

9 A. That's correct. That's indicated in the
10 stipulation.

11 Q. Correct. Are you aware of any studies or
12 analyses undertaken by AEP regarding the likelihood
13 that AEP would, in fact, achieve those two -- those
14 benchmarks to contribute to these two organizations?

15 A. I think that's provided in Exhibit 5 of
16 my testimony. Their pro forma financial statements
17 there, that would provide an indication.

18 Q. But my question is slightly different.
19 Not whether you did provide something that might show
20 that but whether there was an analysis of the
21 likelihood that would happen.

22 A. The pro formas are that analysis that
23 provides that likelihood, and when I included those
24 in the quantify -- quantifiable benefits of the ESP,

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1 Q. Okay. Given the fact you don't know
2 whether it is greater than 90 percent, should we --
3 wouldn't it be appropriate to discount the benefits
4 of these gifts by the likelihood that the company
5 would not achieve the benchmarks?

6 A. I don't think so.

7 Q. Why not?

8 A. Because I think it's likely that the
9 company will achieve greater than a 10 percent
10 return.

11 Q. But there is some possibility that it
12 will not, correct?

13 A. There's a possibility but I can't
14 quantify what that possibility is and it would be
15 inappropriate to assign a value to that.

16 Q. You didn't -- you didn't quantify the
17 likelihood that this gift would, in fact, not be
18 made, correct?

19 A. I think I determined that it was likely
20 that the gift would be made.

21 Q. No. I asked you about the likelihood
22 that it would not be made.

23 A. Can you please repeat your question you
24 are asking?

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1 Q. Sure. You did not calculate or quantify
2 the likelihood that these particular gifts might not
3 be made.

4 A. I don't think I calculated that
5 likelihood.

6 Q. Thank you. Now, assume that we have a
7 customer that takes CRES service for the first time
8 in October of this year.

9 A. Okay.

10 Q. Okay? Would that mean that that customer
11 would be considered to be a group four customer --
12 excuse me, a group five customer? Excuse me.

13 A. Please repeat your question.

14 Q. Sure. A customer who takes service -- I
15 will say it more simply. A customer who takes
16 service for the first time in October of this year,
17 what group is that customer in?

18 A. Either group four or group five.

19 Q. Okay. And if that customer says I'm
20 going to expand, then that customer has the potential
21 to be a group three customer, correct?

22 A. Yes, yes.

23 Q. Now, let me have you turn to Exhibit
24 WWA-5.

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1 A. You are referring to WAA-5?

2 Q. Yes, thank you. And let me have you turn
3 to page 6 of that exhibit, please.

4 A. Okay.

5 Q. Now, that indicates, does it not, that
6 for 2012, the return on common excluding OSS is 7.71,
7 correct?

8 A. That's correct.

9 Q. So would it be the case that in 2012,
10 there would be no funding provided under the
11 stipulation to the Partnership of Ohio and the Ohio
12 Growth Fund?

13 A. No.

14 Q. Why is that?

15 A. Because the 2012 payments to the Ohio
16 Growth Fund and Partnership with Ohio are based on
17 2011 earnings at the companies.

18 Q. And those earnings are shown where?

19 A. They are not shown in these pro formas,
20 financials.

21 Q. Okay. Well, would it be the case then --
22 well, is it the case that in 2013 the like -- the
23 gift would be based upon earnings in 2012?

24 A. It would be.

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1 Q. Okay. So would it be the case as we see
2 here that there would be no gift in 2013?

3 A. No.

4 Q. Why is that?

5 A. Because the return -- the return
6 component that's included in the stipulation is based
7 upon the earnings of AEP Ohio without adjustment.

8 Q. Does that mean it would include
9 off-system sales?

10 A. Yes, it does.

11 Q. Okay. And is there anything I can see in
12 any of your exhibits that would show what that would
13 be?

14 A. No.

15 Q. Now, for purposes of this case did you
16 prepare an estimate of the charges under the fuel
17 adjustment clause?

18 MR. CONWAY: Could I have that question
19 back, please?

20 (Question read.)

21 A. An estimate of the -- the 2012 pro formas
22 include recovery of FAC costs.

23 Q. So the estimated charges that would be
24 recovered or the estimated costs that would be

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1 recovered from -- through the fuel adjustment clause,
2 that's something that the company has, that has that
3 estimate?

4 A. The company has not developed an estimate
5 of the recovery of costs under the fuel adjustment
6 clause consistent with the provisions in the
7 stipulation.

8 Q. Okay. Has the company prepared any
9 estimate of costs that would be included under the
10 fuel adjustment clause?

11 A. The company has previously completed
12 estimates of the revenues that would be recovered
13 under the fuel adjustment clause.

14 Q. Okay. And were there estimates done with
15 respect to what those revenues would be for 2012,
16 2013, 2014, or 2015, or any of those years?

17 A. None have been completed that are
18 consistent with the elements of the stipulation.

19 Q. That's not my question.

20 MR. KUTIK: Could you read my question,
21 please.

22 (Question read.)

23 A. The company has prepared estimates for
24 those years based upon a set of assumptions that may

44 (Pages 173 to 176)

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1 or may not be appropriate.
 2 Q. Okay. So those -- those estimates exist?
 3 A. They do.
 4 Q. You've seen them?
 5 A. I have not seen any recent one, no.
 6 Q. What's the most recent one that you've
 7 seen?
 8 A. Probably in 2010.
 9 Q. Okay.
 10 A. When I was in charge of that department.
 11 Q. Did you not include -- or review some
 12 data putting together your pro formas?
 13 A. Because the company has a fuel adjustment
 14 clause that provides for full recovery of the fuel
 15 costs as part of my review of the pro formas,
 16 financials, that I asked individuals to prepare under
 17 my direction, I ensured that the fuel revenues and
 18 the fuel costs incorporated in this analysis were in
 19 balance. The underlying costs were not relevant to
 20 my analysis.
 21 Q. Okay. You are aware that there are
 22 estimates for fuel costs, correct?
 23 A. Specifically with regard to what?
 24 Q. AEP Ohio 2012, 2013, 2014.

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1 A. Previously the company has performed that
 2 analysis.
 3 Q. Okay. And you've seen those numbers,
 4 correct?
 5 A. As I indicated, the last set of numbers I
 6 seen were from 2010.
 7 Q. Okay. You've seen -- the company has
 8 prepared estimates of purchased power costs, correct?
 9 A. Yes.
 10 Q. Okay. And none of those estimates appear
 11 in your testimony, do they?
 12 A. Those estimates would be partially
 13 incorporated into the information that I present in
 14 my pro formas for 2012.
 15 Q. But there's nothing I can tell from your
 16 testimony that would tell me what the company's
 17 estimates were with respect to fuel costs or
 18 purchased power costs, correct?
 19 A. That's correct.
 20 Q. Okay. Is it the company's intent to
 21 charge -- well, back up.
 22 Assuming that the Commission approves the
 23 cost recovery relating to MR6, would it be the
 24 company's intent to recover the gas costs through the

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1 FAC or the GRR or something else?
 2 A. My understanding is that would be
 3 determined through a future proceeding before the
 4 Commission.
 5 Q. Okay. So you're not aware of what the
 6 company's position is on that?
 7 A. I think the company indicated that will
 8 be determined in a future proceeding.
 9 Q. All right. But, right now, you are not
 10 aware if the company has a position on that, correct?
 11 A. That's correct.
 12 Q. Will there -- are there any costs that
 13 you can think of that would result from the Turning
 14 Point Project that could properly be recovered under
 15 the fuel adjustment clause?
 16 A. Only to the extent those costs came
 17 through as a purchased power expense in account 555
 18 and were not excluded for full recovery through the
 19 GRR.
 20 Q. What kind of costs would be considered
 21 purchased power costs that might be associated with
 22 the Turning Point Project?
 23 A. If there was a purchased power contract
 24 between AEP Ohio and the Turning Point facility, I

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1 just don't know what the ownership structure of that
 2 is.
 3 Q. I understand. You mentioned, I believe,
 4 in your testimony, and I might have gotten this
 5 wrong, that there is a possibility -- I'll back up.
 6 The fuel adjustment clause currently is
 7 bypassable, correct?
 8 A. That's correct.
 9 Q. You mentioned in your testimony that
 10 there is a possibility that the fuel adjustment
 11 clause might be nonbypassable in future years,
 12 correct?
 13 A. Can you point me to a page in my
 14 testimony?
 15 Q. Unfortunately I don't -- let me try it a
 16 different way.
 17 MR. KUTIK: Okay. Let's mark this as the
 18 next one.
 19 (EXHIBIT MARKED FOR IDENTIFICATION.)
 20 Q. Mr. Allen, the court reporter has handed
 21 you what has been marked as Exhibit 2 in this
 22 deposition. Do you recognize this as the response to
 23 FES 17th Set Interrogatory 24?
 24 A. Yes. I see that.

45 (Pages 177 to 180)

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1 Q. And specifically I want to refer you to
2 part (g) where it says "Will the FAC be bypassable
3 between June 1, 2015, and May 31, 2016?" And the
4 answer is "The modified FAC mechanism depends upon
5 the outcome of the stakeholder process identified in
6 paragraph IV.1.r and Commission approvals in
7 proceedings related to the GRR," correct?

8 A. Correct.

9 Q. And that's an answer that you prepared.

10 A. Yes, it is.

11 Q. So I'm assuming from this that you
12 couldn't answer the question will it be bypassable
13 between the two dates yes, and the reason you can't
14 do that is that there is a possibility that the FAC
15 would be nonbypassable at some point?

16 A. The intent of my response was that the
17 GRR would be a nonbypassable rider. If as part of
18 the Commission's approval of a specific application,
19 for instance, MR6 were to be included within the GRR,
20 if the Commission determined that there should be an
21 FAC mechanism as part of that GRR, then that FAC
22 would be nonbypassable as would be the remainder of
23 the GRR.

24 Q. Okay. So only potential fuel costs in

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1 questions?

2 MR. CONWAY: I asked the question
3 earlier, you were out, and there were no takers
4 earlier. But is there anybody on the phone that
5 wants to ask questions?

6 MR. DARR: No, thank you.

7 MR. KUTIK: Hearing none or nos, the
8 deposition is concluded.

9 As you know, Mr. Allen, you have the
10 right to review the transcript for transcription
11 errors and then make those corrections known. You
12 also have the ability to waive that right. You need
13 to indicate on the record whether you wish to read
14 the transcript or whether you wish to waive reading.

15 MR. CONWAY: We will read the transcript.

16 MR. KUTIK: Thank you. We are concluded.
17 (Thereupon, the deposition was concluded
18 at 2:52 p.m.)

19 ---
20
21
22
23
24

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1 the very broad sense of that word that would be
2 associated with GRR would be part of a nonbypassable
3 FAC?

4 A. FAC cost, yes.

5 MR. KUTIK: Yes. Let's go off the
6 record.

7 (Recess taken.)

8 MR. KUTIK: Okay. Let's go back on the
9 record. Counsel, you were going to check at some
10 point this afternoon about whether you'll allow the
11 witness to answer the question about did AEP provide
12 a draft or comments.

13 MR. CONWAY: Yeah. And to cut through it
14 I think, yes, I will allow it.

15 MR. KUTIK: Okay.

16 Q. The question to you then, sir, is --

17 MR. CONWAY: Violates the rule I
18 established but it's a special case.

19 Q. Did AEP Retail provide comments on the
20 draft?

21 A. No.

22 MR. KUTIK: And -- okay. That's all the
23 questions I have at this time.

24 And does anyone on the phone have any

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1 State of Ohio :
2 : SS:

3 County of _____ :
4 I, William A. Allen, do hereby certify that I
5 have read the foregoing transcript of my deposition
6 given on Wednesday, September 21, 2011; that together
7 with the correction page attached hereto noting
8 changes in form or substance, if any, it is true and
9 correct.

10 _____
11 William A. Allen

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

19 _____
20 Notary Public

21 My commission expires _____,
22
23
24

CERTIFICATE

State of Ohio :

: SS:

County of Franklin :

I, Karen Sue Gibson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named William A. Allen was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer, that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 22nd day of September, 2011.

Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

My commission expires August 14, 2015.

(KSG-5419a)

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSE TO
FIRST ENERGY SOLUTIONS'S DISCOVERY REQUEST
IN PUCO CASE NOS. 11-346-EL-SSO AND 11-348-EL-SSO
SEVENTEENTH SET**

INTERROGATORY
STIP-FES-INT-17-040

Referring to the "set aside[s] of RPM-priced capacity"
identified in Section IV.2(b)(3) of the Stipulation:

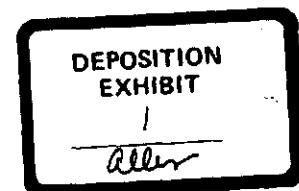
- (a) Please identify the "projected kWh consumption for a period of approximately 4 months after the filing of the Stipulation" that will be used to allocate the RPM-priced capacity set asides on a pro rata basis -- including a breakdown of the residential, commercial, and industrial kWh.
- (b) If there is a gap in the period of time in which a shopping customer takes service from a CRES provider(s), does the customer still retain the right to RPM-priced capacity?

RESPONSE

(a) The initial allocation is for a period of approximately 4 months, not the projected kWh.

(b) See Appendix C of the Stipulation and Recommendation

Prepared by: William A. Allen



**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSE TO
FIRST ENERGY SOLUTIONS'S DISCOVERY REQUEST
IN PUCO CASE NOS. 11-346-EL-SSO AND 11-348-EL-SSO
SEVENTEENTH SET**

INTERROGATORY
STIP-FES-INT-17-040

Referring to the "set aside[s] of RPM-priced capacity"
identified in Section IV.2(b)(3) of the Stipulation:

- (a) Please identify the "projected kWh consumption for a period of approximately 4 months after the filing of the Stipulation" that will be used to allocate the RPM-priced capacity set asides on a pro rata basis – including a breakdown of the residential, commercial, and industrial kWh.
- (b) If there is a gap in the period of time in which a shopping customer takes service from a CRES provider(s), does the customer still retain the right to RPM-priced capacity?

RESPONSE

(a) The initial allocation is for a period of approximately 4 months, not the projected kWh.

(b) See Appendix C of the Stipulation and Recommendation

Prepared by: William A. Allen



**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSE TO
FIRST ENERGY SOLUTIONS'S DISCOVERY REQUEST
IN PUCO CASE NOS. 11-346-EL-SSO AND 11-348-EL-SSO
SEVENTEENTH SET**

INTERROGATORY

STIP-FES-INT-024 Referring to Section IV.1(m) of the Stipulation:

- (a) Will the FAC allow for the recovery of fuel charges incurred by any of Your unregulated generating facilities?
- (b) If You achieve structural corporate separation during the term of the Stipulation, will You recover any fuel charges through the FAC after structural separation? If so, please identify all fuel charges that would be recovered through the FAC after structural separation.
- (c) Will the costs of the shale gas contracts described in Section 2(a)(2) of the Stipulation be recovered in the FAC during the entire term of the ESP?
- (d) Will the costs of the shale gas contracts described in Section 2(a)(2) of the Stipulation be recovered between June 1, 2015 and May 31, 2016, when You will acquire SSO load through CBPs?
- (e) What is Your estimate of the FAC revenues (\$000), sales (GWH), and average rate (\$/MWH) for the following time periods, as was provided for 2012, 2013, and 2014 in Your response to FES Interrogatory No. 1-001 in discovery during the initial ESP application:
 - (i) January 1, 2015 through May 31, 2015
 - (ii) January 1, 2015 through December 31, 2015
 - (iii) January 1, 2016 through May 31, 2016 (assuming continuation of the current ESP)
- (f) Please identify all costs that could be charged under the FAC between June 1, 2015 and May 31, 2016.
- (g) Will the FAC be bypassable between June 1, 2015 and May 31, 2016?
- (h) Please describe how the FAC will be "modified" "after May 31, 2015 in connection with a nonbypassable charge, if any, that is authorized for inclusion in the GRR."

DEPOSITION
EXHIBIT

2
Allen

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
RESPONSE TO
FIRST ENERGY SOLUTIONS'S DISCOVERY REQUEST
IN PUCO CASE NOS. 11-346-EL-SSO AND 11-348-EL-SSO
SEVENTEENTH SET**

STIP-FES-INT-024 (CONTINUED)

RESPONSE

- (a) Yes, to the extent they are included in bilateral contracts.
- (b) See response to (a).
- (c) See Section 2(a)(2) of the stipulation and response (a) above.
- (d) See IV.1.r
- (e) This analysis has not been completed.
- (f) See paragraph IV.1.m
- (g) The modified FAC mechanism depends upon the outcome of the stakeholder process identified in paragraph IV.1.r and Commission approvals in proceedings related to the GRR.
- (h) See (g) above

Prepared by William Allen.

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :
Company and Columbus Power :
Company for Authority to : Case No. 10-2376-EL-UNC
Merge and Related :
Approvals.

In the Matter of the :
Application of Columbus :
Southern Power Company :
and Ohio Power Company :
for Authority to Establish :
a Standard Service Offer : Case No. 11-346-EL-SSO
Pursuant to §4928.143, : Case No. 11-348-EL-SSO
Ohio Rev. Code, in the :
Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :
Southern Power Company : Case No. 11-349-EL-AAM
and Ohio Power Company : Case No. 11-350-EL-AAM
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :
Southern Power Company to : Case No. 10-343-EL-ATA
Amend its Emergency :
Curtailed Service :
Riders. :

In the Matter of the :
Application of Ohio Power :
Company to Amend its : Case No. 10-344-EL-ATA
Emergency Curtailment :
Service Riders. :

In the Matter of the :
Commission Review of the :
Capacity Charges of Ohio : Case No. 10-2929-EL-UNC
Power Company and Columbus :
Southern Power Company. :

1 APPEARANCES:

2 Porter, Wright, Morris & Arthur, LLP
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5 Columbus, Ohio 43215-6194

6 On behalf of the Applicants.

7 FirstEnergy Service Company
8 By Mr. Mark A. Hayden (via telephone)
9 76 South Main Street
10 Akron, Ohio 44308

11 Calfee, Halter & Griswold, LLP
12 By Mr. James F. Lang
13 1400 KeyBank Center
14 800 Superior Avenue
15 Cleveland, Ohio 44114

16 On behalf of FirstEnergy Solutions
17 Corporation.

18 McNees, Wallace & Nurick, LLC
19 By Mr. Frank P. Darr (via telephone)
20 Fifth Third Center, Suite 1700
21 21 East State Street
22 Columbus, Ohio 43215-4288

23 On behalf of Industrial Energy Users.

24 ALSO PRESENT:

Mr. Kevin Murray.

EXHIBIT

B

1 In the Matter of the :
2 Application of Columbus :
3 Southern Power Company for:
4 Approval of a Mechanism to: Case No. 11-4920-EL-RDR
5 Recover Deferred Fuel :
6 Costs Ordered Under Ohio :
7 Revised Code 4928.144. :
8 :
9 In the Matter of the :
10 Application of Ohio Power :
11 Company for Approval of a :
12 Mechanism to Recover : Case No. 11-4921-EL-RDR
13 Deferred Fuel Costs :
14 Ordered Under Ohio Revised:
15 Code 4928.144. :
16 :
17 :
18 :
19 :
20 :
21 :
22 :
23 :
24 :

DEPOSITION

of Joseph Hamrock, P.E., taken before me, Karen Sue
Gibson, a Notary Public in and for the State of Ohio,
at the offices of Porter, Wright, Morris & Arthur,
LLP, 41 South High Street, Columbus, Ohio, on
Wednesday, September 21, 2011, at 3:15 p.m.

ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

JOSEPH HAMROCK, P.E.

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

EXAMINATION

By Mr. Lang:

Q. Mr. Hamrock, good afternoon. My name is
Jim Lang. I will be asking you questions on behalf
of FirstEnergy Solutions this afternoon.

A. Good afternoon.

Q. Actually your testimony starts with your
description of being employed by American Electric
Power Service Corporation. The stipulation was
signed by the two operating companies, Columbus
Southern and Ohio Power. And what is your
relationship to the entities that signed the
stipulation?

A. I am president and chief operating
officer of AEP Ohio which includes Columbus Southern
Power and Ohio Power Company.

Q. Do you have titles for any other AEP
entities?

A. No.

Q. Are the -- is it fair to say that the
commitments made in the stipulation are made by AEP

Page 5

1 Ohio and not by AEP generally?

2 A. I suppose that's a fair statement.

3 Q. And is it true that you on behalf of AEP
4 Ohio cannot make commitments on behalf of other AEP
5 East operating companies such as the ones in Indiana,
6 Michigan, or Kentucky?

7 A. AEP Ohio as a member of AEP works as a
8 part of the integrated whole so any -- any action
9 that AEP Ohio takes that might be -- have an effect
10 on other operating companies is certainly vetted with
11 the parent corporation.

12 Q. Is it possible that one or more of the
13 other AEP operating companies can have objectives
14 that are in conflict with AEP Ohio?

15 A. Could one or more of the operating
16 companies, is that what you said?

17 Q. Correct.

18 A. I can't imagine that scenario, but I
19 suppose it could be possible.

20 Q. And to the extent that you're testifying
21 in this proceeding, just to be clear you're
22 testifying on behalf of AEP Ohio?

23 A. That is correct.

24 Q. In your testimony you list the signatory

Page 6

1 parties to the stipulation, and you refer to two
2 municipalities in your testimony, this is on page 5,
3 says "Municipalities, including their residential
4 customers." Are you suggesting that the two
5 municipalities, Grove City and Hilliard, were
6 representing all of their residential customers in
7 this proceeding?

8 A. The municipalities represented their
9 citizens which would include residential customers,
10 yes.

11 Q. So does that mean they were also
12 representing their commercial customers and their
13 industrial customers?

14 A. I suppose it would, yes.

15 Q. Did -- does the City of Hilliard, for
16 example, to your understanding as part of the
17 negotiations of the stipulation seek provisions
18 relating -- seek provisions relating to their
19 residential customers in particular?

20 A. The City of Hilliard was -- their
21 representatives were present through the negotiations
22 and were actively involved in all of the elements of
23 the negotiations.

24 Q. Were they actively involved in seeking

Page 7

1 provisions that benefited their residential
2 customers?

3 A. I suppose they were, yes.

4 Q. How -- how were they doing that?

5 A. To the extent that the settlement and the
6 negotiations affected rates for customers, they were
7 actively involved in the negotiations that did affect
8 rates -- or the settlement -- the settlement of the
9 rate plan for all customers.

10 Q. Do you know whether they had
11 authorization from the residential customers either
12 before or after September 7 to -- to sign the
13 stipulation?

14 A. No.

15 Q. Do you know whether these two
16 municipalities signed the stipulation on behalf of
17 their residential customers, or was it just on behalf
18 of the municipality?

19 A. I believe it's in their official capacity
20 representing the citizens of those municipalities.

21 Q. Why do you have that belief?

22 A. That's my understanding of their status
23 as an intervenor.

24 Q. And from where does your understanding

Page 8

1 come?

2 A. No particular direct evidence of where
3 that comes from, just that they intervened as the
4 city, the city government, representing their
5 constituents.

6 Q. On page 6 of your testimony, line 15, you
7 have a phrase here it's "the compensation model for
8 AEP Ohio's generating resources." What are you
9 referring to there? What's "the compensation model"
10 that you are referring to?

11 A. Are you at line --

12 Q. Line 15.

13 A. -- 15?

14 Q. Yes.

15 A. Yeah, that statement "AEP Ohio will also
16 switch to PJM's Reliability Pricing Model, (RPM),
17 thereby eliminating the distinction between the
18 compensation model for AEP Ohio's generating
19 resources and the compensation model adopted by
20 competitive retail electric suppliers." So I'm
21 referring to the compensation model that AEP Ohio is
22 a part of, that's FRR, the fixed resource
23 requirement, that's different from the RPM model.

24 Q. When you say different from the RPM

2 (Pages 5 to 8)

Page 9

1 model, the second reference to the compensation model
2 adopted by competitive retail electric -- I'm sorry.
3 Turn this off.

4 Is that compensation -- "the compensation
5 model adopted by competitive retail electric
6 suppliers," by there you are referencing the RPM
7 model?

8 A. Yes.

9 Q. And you are setting up a distinction
10 between the FRR model and the RPM model?

11 A. I'm acknowledging that by switching to
12 the RPM model that distinction would be eliminated.

13 Q. Is the distinction that the -- that the
14 RPM model is market based and that the FRR model is
15 not market based?

16 A. Not at all.

17 Q. Can you describe that to me, explain what
18 is the distinction?

19 A. They are two different compensation
20 models. FRR provides for my understanding, and it's
21 outlined in Witness Pearce's testimony, FRR provides
22 for a dedication of resources by the FRR entity to
23 its retail load with an opportunity for cost-based
24 recovery. That's very different from the RPM model

Page 10

1 where there is no obligation -- no similar
2 obligation.

3 Q. No similar obligation to do what?

4 A. For the entity to dedicate resources to
5 its retail load.

6 Q. Can the FRR model be market based, the
7 pricing received under the FRR model be market based?

8 A. What do you mean by market based?

9 Q. To be determined by the market, by market
10 pricing.

11 A. By which market?

12 Q. You tell me.

13 A. I am trying to be responsive to your
14 question.

15 Q. Generally can it be market -- can it be
16 market priced? Can the price be based on market?

17 A. Under FRR?

18 Q. Yes.

19 A. I suppose that depends on the definition
20 of the market.

21 Q. How would it depend on the definition of
22 the market?

23 A. It's a vague question, so when you ask
24 can the FRR be market based, it would help me to

Page 11

1 understand what you mean by market based.

2 Q. Is -- is the current FRR model where you
3 are providing compensation, is any part of that --
4 I'm sorry. Where you are providing capacity, is any
5 part of your compensation for that capacity today
6 based on market pricing?

7 A. If you mean is it compensated through the
8 RPM market, is that what you are asking?

9 Q. No. I am asking you is any part of the
10 capacity you provide today under the FRR model, is
11 any part of that capacity based on market pricing?

12 A. Not that I am aware of.

13 Q. Is any portion of the capacity that is
14 currently provided under FRR priced at the RPM price
15 and provided to the CRES providers or CRES provider
16 customers?

17 A. For AEP Ohio?

18 Q. Yes.

19 A. Yeah, yes. Currently the state
20 compensation mechanism does provide for provision of
21 that capacity at RPM prices.

22 Q. So is it true that the compensation model
23 for AEP Ohio generating resources that you are
24 referencing here on line 15 could be at AEP's

Page 12

1 election a market-based model rather than a
2 cost-based model?

3 A. Again, by market based do you mean RPM?

4 Q. Let's say yes.

5 A. You said by AEP -- AEP's election?

6 Q. By AEP Ohio's election, right.

7 A. We have not made such an election.

8 Q. But AEP Ohio, it's an option for AEP Ohio
9 to price its capacity under the FRR model at RPM
10 price, correct?

11 A. It apparently was an option for the
12 Commission to adopt that as a state compensation
13 model.

14 Q. Uh-huh. So just so I understand your
15 answer, the Commission adopted that model. You said
16 also -- is it also AEP Ohio's -- one of AEP Ohio's
17 options in the FRR to use RPM pricing?

18 A. That's not clear to me.

19 Q. Okay. On line 17 you refer to "AEP Ohio
20 will provide discounted capacity prices."

21 MR. CONWAY: Are you on page 6?

22 MR. LANG: Still on page 6, line 17.

23 Q. When you refer to "discounted capacity
24 prices," the discount is from what?

3 (Pages 9 to 12)

Page 13

1 A. AEP's cost which is articulated in
2 Witness Pearce's testimony.

3 Q. So it's the -- and the cost -- what is
4 your understanding of the cost that is articulated in
5 Witness Pearce's testimony?

6 A. It's the cost of owning those resources
7 to provide for capacity to serve the retail load.

8 Q. Do you know whether that's equivalent to
9 the PJM to go costs that is in the -- in the PJM
10 tariff?

11 A. The PJM to go cost?

12 Q. Yes.

13 A. I'm not familiar with that term.

14 Q. All right. So you've never heard --
15 you've never heard of to go costs as that phrase is
16 used in PJM?

17 A. No, I have not.

18 Q. Okay. With regard to the costs that --
19 that -- the costs in Witness Pearce's testimony,
20 what -- what's your general understanding of how
21 those costs are calculated?

22 A. I rely on Witness Pearce's expertise for
23 those calculations.

24 Q. Do you know whether that's a total gross

Page 14

1 cost, whether it's, you know, operating and
2 maintenance cost? Do you have any level of that
3 detail?

4 A. I do not have that level of expertise.

5 Q. Okay. The discounted capacity prices,
6 that's a reference to capacity being provided at the
7 RPM market price; is that correct?

8 A. In line 17 again?

9 Q. Correct, still there.

10 A. It's the capacity price as set forth in
11 the stipulation including the RPM and the fixed \$255
12 per megawatt day price. Both I would consider
13 discounted capacity prices.

14 Q. Thanks. That did clarify. Do you know
15 how the \$255 per megawatt day pricing was determined?

16 A. Through negotiations.

17 Q. Is there a -- you know, is there some
18 kind of calculation that you are aware of that
19 underlies that \$255?

20 A. No.

21 Q. Dropping down to line 21 on the same
22 page, you refer to "The generation prices for SSO
23 customers during this transition will reflect a
24 highly simplified pricing structure." The "highly

Page 15

1 simplified pricing structure" is a -- is a comparison
2 to what? It's simplified as compared to what?

3 A. In that context it's compared to the --
4 the AEP Ohio filing for the next ESP, so it's the
5 compromise, it reflects the compromise AEP Ohio made.

6 Q. Okay. So it's a comparison to the
7 generation pricing that was filed as part of the ESP
8 application in January?

9 A. Yes. That's the intent behind that
10 statement.

11 Q. Now, that generation pricing you say
12 "varies primarily based on cost of fuel and other
13 components of the FAC rate." What -- what other
14 variability is in that generation price? Because you
15 say primarily it's the FAC. What else would be --
16 what else is variable?

17 A. It is the FAC which includes fuel and
18 purchased power, consumables related to environmental
19 compliance, and also today -- although in the
20 settlement it would be partially a separate rider
21 today includes the renewable -- the cost of renewable
22 compliance.

23 Q. So when you say it varies primarily based
24 on the FAC, is it your understanding that it -- that

Page 16

1 the variability in that generation price is
2 exclusively in the FAC?

3 A. No, no. It's primarily. That's the
4 major shifting component.

5 Q. Okay. That's what I wanted to find out
6 is what are the other shifting components?

7 A. Well, there may be other changes in the
8 customers' bypassable generation rate that are not
9 reflected there but I'm not familiar with what those
10 changes might be.

11 Q. Okay.

12 A. One example is the GRR, the generation
13 resource rider, which is per the stipulation an empty
14 rider but with the expectation of Turning Point Solar
15 in a future proceeding there would be one more piece
16 associated with the supply rate.

17 Q. Now, as opposed to the GRR is a
18 nonbypassable rider, correct?

19 A. That's correct.

20 Q. And you had said that there could be
21 other bypassable riders. Do you know whether there
22 are other bypassable riders that would have a
23 variable rate component?

24 A. None come to mind but I would rely on

Page 17

1 Witness Roush for that detail.

2 Q. In addition to the GRR are you familiar
3 with other nonbypassable riders that would be a
4 variable rate component that come to mind today?

5 A. The MTR, for example, is, market
6 transition rider, is a nonbypassable rider that would
7 be trued up to maintain revenue neutralities
8 throughout the transition years of the plan so that's
9 another example of one rate that might change. I
10 suppose there are others.

11 Q. And when you say the generation price is
12 essentially fixed, I guess to be clear it's fixed at
13 an average rate for each year of the ESP?

14 A. The base -- this says it "fixes the base
15 generation rate," yes.

16 Q. All right. And the base generation rate
17 increases, say, from 2012 to 2013, correct?

18 A. Right. Yes, that's correct. And that is
19 in reference again to the prior plan that included an
20 environmental rider -- request for an environmental
21 rider that would change based on environmental
22 investments. That dynamic rate mechanism is no
23 longer a part of -- is not a part of this plan.

24 Q. So the core generation price now that is

Page 18

1 the base generation rate and the FAC, do you know
2 what percentage for a customer is the base generation
3 rate and what percentage is the FAC?

4 A. I do not and from a customer perspective
5 that's sensitive to their usage characteristics.
6 That percentage would vary depending on a customer's
7 usage characteristics.

8 Q. Do you know -- for residential customers
9 do you know generally what it would be?

10 A. I do not.

11 Q. Do you know whether the FAC is a larger
12 component than the base generation rate?

13 A. Again, I believe that depends on an
14 individual customer's usage characteristics. They
15 are comparable, in my opinion the two pieces are
16 comparable, the base and the FAC are comparable in
17 terms of the order of magnitude, but I can't say with
18 any certainty that one is generally larger than the
19 other from a customer perspective.

20 Q. Moving over to page 7 around lines 6 and
21 7, you have a reference to I think this is -- this is
22 in reference -- I believe this is in reference to the
23 GRR. You are referring to a providing a path to
24 cost-based generating pricing. Am I right, is that a

Page 19

1 reference to the GRR?

2 A. Which line are you on?

3 Q. Lines 6 and 7.

4 A. Lines 6 and 7. "The opportunity for AEP
5 Ohio to build new generating resources that will be
6 dedicated to its retail customers is a noteworthy
7 element of this plan, in that it provides for a path
8 to cost-based generating pricing that can serve as a
9 hedge against potentially volatile market prices."
10 Yeah, that is the reference to dedicated resources
11 that might be built through -- with recovery from the
12 GRR mechanism.

13 Q. And how does that result in cost-based
14 generating pricing?

15 A. The proposal for GRR would be that it
16 would be recovery of any such resources on a
17 cost-of-service-type ratemaking plan.

18 Q. Uh-huh. Is the -- as part of the
19 proposal, will the energy and capacity of the
20 resource be sold to Ohio customers?

21 A. That's -- that's a matter of -- for
22 stake -- the stakeholder groups to resolve,
23 especially as it relates to auctions in the future
24 for the SSO load of the auction, but the intent is

Page 20

1 for those -- those resources to be dedicated and the
2 financial benefit of that dedication to flow to
3 retail ratepayers.

4 Q. What's your understanding of how that
5 might work?

6 A. At a very high level, there are two
7 different ideas. One is that the SSO auction, the
8 load that would be put to auction, would be net of
9 the expected supply from the dedicated resources, so
10 it would be something -- if the resources provide 4
11 or 5 percent of the retail load, then the auction
12 would be from 95 percent or 95 tranches. That's one
13 model.

14 The other is the auction is for
15 100 percent of the load, and the dedicated resources
16 would be financially settled to achieve the effect of
17 having provided that fixed-cost basis for retail
18 customers, again, the resolution of that first -- for
19 the stakeholder groups.

20 Q. Under that first option do you know
21 whether the energy from the dedicated resources would
22 still be sold into the PJM emergency market?

23 A. The day-ahead market, is that what you
24 mean?

5 (Pages 17 to 20)

Page 21

1 Q. I believe so, yes.

2 A. I don't know. That's -- I suppose it
3 could be, would be, and the financial settlement
4 process would -- would mete that out.

5 Q. Is it also possible in the first option
6 that that energy would be withheld from the PJM
7 market?

8 A. Withheld?

9 Q. Yes.

10 A. It's dedicated to retail?

11 Q. Yes.

12 A. I suppose there are a number of different
13 possibilities, again, all to be resolved through the
14 stakeholder process.

15 Q. For -- to go down this path of cost-based
16 generating pricing that you are referencing, is it
17 your understanding that AEP Ohio will have to
18 demonstrate to the Public Utilities Commission of
19 Ohio a need for the new generating assets?

20 A. Yes.

21 Q. In order to demonstrate that need, is it
22 fair to say that the PJM market will be in a position
23 where it's not providing sufficient generation,
24 generating assets for the region?

Page 22

1 A. That's a matter for the Commission to
2 determine.

3 Q. What's your understanding of the
4 demonstration of need that has to be undertaken?

5 A. I don't have a working familiarity with
6 the mechanisms the Commission might use to establish
7 need.

8 Q. Do you have a working familiarity of --
9 with AEP Ohio's understanding of what AEP Ohio
10 believes it has to demonstrate in order to show need?

11 A. Yes. I suppose you would be looking at
12 over the planning horizon anticipating the load
13 forecast, anticipating the supply including the
14 market-based supply, and the availability of
15 resources, and considering such a proposal in light
16 of that and determining whether it's needed and
17 prudent in that context.

18 Q. The reference still in that same sentence
19 to "potentially volatile market prices," are you
20 referring to market prices during the ESP term?

21 A. Not necessarily market prices during the
22 planning horizon for the anticipated proposed
23 dedicated resources.

24 Q. Is the planning horizon typically 10

Page 23

1 years?

2 A. That's the Commission's -- my
3 understanding is the Commission looks at a 10-year
4 long-term forecast. But that's not necessarily the
5 entire planning horizon for a dedicated resource.
6 These are long-lived assets so.

7 Q. So when you are talking about planning
8 horizon for --

9 A. That would be the life of the investment.

10 Q. So it could be 50 years?

11 A. I don't know about 50 but longer than 10
12 for sure.

13 Q. Okay. Do you know what the typical, you
14 know, typical life of a, you know -- use this as a
15 specific example, there is a proposal for Muskingum
16 River 6, a natural gas plant. Do you know what the
17 expected life of that plant will be?

18 A. I don't know with precision, but I would
19 expect it would be in the 30 to 40 year.

20 Q. Is the responsibility of PJM to assure
21 the availability of reliable -- reliable supplies of
22 power in the PJM region?

23 A. I suppose it's the responsibility of PJM.
24 In the instance of an FRR entity like AEP Ohio it's

Page 24

1 the responsibility of the FRR entity is my
2 understanding.

3 Q. I want to ask you a few questions about
4 the -- the -- I think is your description of the
5 "serious bargaining among capable and knowledgeable
6 parties" which starts on page 8. You -- you have a
7 reference on page 9 of your testimony to five
8 meetings between August 3 and August 30. Was the --
9 the first of those five meetings on August 3?

10 A. Subject to check I believe it was.

11 Q. Do you know whether there was a meeting
12 on August 30 between AEP Ohio staff and all
13 intervening parties?

14 A. I don't recall the specific dates of each
15 of the meetings.

16 Q. Do you know when the last meeting was in
17 which all of the parties including FES, OCC, in which
18 all of the parties were invited to attend?

19 A. I don't recall the specific date of the
20 last invitation to all of the parties.

21 Q. Do you know whether it was prior to
22 August 30?

23 A. I suppose it was, yes, with the exception
24 of the period of time during that time period where

6 (Pages 21 to 24)

Page 25

1 there were meetings of all of the parties except for
2 AEP Ohio.

3 Q. So after August 30, there were -- you
4 said that there were parties that met several more
5 times. Do you know how many times there were -- how
6 many actual meetings occurred after -- after
7 August 30?

8 A. I don't know that specific number, no.

9 Q. But by the reference of several, are you
10 thinking it was more than two?

11 A. Yeah. Two or more, I would say.

12 Q. And those -- those two or more meetings,
13 the invitation to attend those meetings was not
14 extended to all of the parties in the case, correct?

15 A. After the August 30?

16 Q. These -- the meetings occurring after
17 August 30.

18 A. That is my understanding, yes.

19 Q. I can tell you that August 30 was a
20 Tuesday so does that help you any remember when the
21 last meeting was of all the parties?

22 A. No. Every day felt like a Monday to me
23 so, no, that didn't help.

24 Q. Give it a shot.

Page 26

1 A. I'm not sure what you are asking though
2 about -- what are you asking about August 30? I want
3 to be responsive.

4 Q. Simply your testimony is drawing a
5 distinction between what happened before August 30
6 and what happened after August 30.

7 A. Yeah. That August 30 is the date that
8 certain parties opposed the motion to continue, chose
9 to stop participating in the settlement negotiations.

10 Q. And why do you believe that those other
11 parties chose to stop participating in the settlement
12 negotiations?

13 A. That was my understanding of their
14 communications with our counsel.

15 Q. Did -- did you receive or review any of
16 the communications from these -- from these parties?

17 A. I may have. I'm not sure I saw all of
18 them.

19 Q. Did you see any communication from
20 FirstEnergy Solutions that said we're electing to
21 stop participating in the settlement negotiations?

22 A. My understanding is the motion to oppose
23 or the opposition to the motion to continue was such
24 a message.

Page 27

1 Q. So your understanding -- now, there was
2 a -- a motion filed by -- this was a motion to
3 continue the hearing that was filed on or around that
4 August 30 date, correct? Is that what you are
5 discussing?

6 A. Yes.

7 Q. And then FirstEnergy Solutions and other
8 parties filed a response opposing a further
9 continuation of the hearing date, correct?

10 A. That's my understanding, yes.

11 Q. Was there any part of that motion that
12 said that FirstEnergy Solutions did not want to
13 participate any further in negotiations if they are
14 to continue?

15 A. I don't recall.

16 Q. You don't recall, or you don't know?

17 A. I don't recall.

18 Q. So did you know at one point whether
19 the -- whether the FES -- whether the FirstEnergy
20 Solutions response said that?

21 A. I simply don't recall. In my mind the
22 motion to oppose the continuance -- or the opposition
23 to the motion is the same as a message that says
24 let's go to the hearing and let's not continue to

Page 28

1 negotiate. I don't see a distinction, but I don't
2 recall if there was any specificity to the question
3 you are asking.

4 Q. In your testimony after the August 30
5 date, you refer to multiple proposals and
6 counterproposals. Again, I use a more general term
7 of multiple. Can you be more specific as to how many
8 proposals and counterproposals there were during this
9 time period?

10 A. I cannot. There were -- there are so
11 many parties to the stipulation that, you know, each
12 party had individual issues and there were groupings
13 of issues and so to assign any number to that would
14 be very difficult. Certainly well more than a
15 handful.

16 Q. Prior to September 6, were any of those
17 proposals or counterproposals sent or distributed
18 generally to all the parties?

19 A. To all of the parties?

20 Q. Correct.

21 A. That remained at the table, is that the
22 question?

23 Q. I'm saying to all of the parties in the
24 case.

7 (Pages 25 to 28)

Page 29

1 A. Including those that had opposed the
2 motion to continue?

3 Q. Including those that opposed the motion
4 to continue the hearing.

5 A. Could you repeat the question for me? I
6 want to make sure I am answering.

7 Q. I am asking whether any of the proposals
8 or counterproposals prior to September 6 were
9 distributed to all of the parties rather than just a
10 subset of the parties.

11 A. I don't know because I can't speak for
12 what all of the parties did and who they talked with
13 and who they interacted with during that period. So
14 it's conceivable that there was continuing
15 dialogue --

16 Q. Did AEP --

17 MR. CONWAY: Hold on a second. Let him
18 complete his answer.

19 A. It's conceivable there was continuing
20 dialogue among some of the parties and the parties
21 who had opposed the motion to continue, though I have
22 no way of knowing that. I don't know that.

23 Q. Did AEP Ohio distribute any of those
24 proposals or counterproposals to all of the parties

Page 30

1 rather than just a subset of the parties?

2 A. All of the parties including those who
3 had opposed the motion to continue?

4 Q. That would be all of the parties.

5 A. Okay. I just want to make sure I
6 understand what you mean by that. To my
7 recollection, no, not until we had come to the near
8 final terms and those terms were circulated to all of
9 the parties including those who had opposed the
10 motion to continue.

11 Q. Is it your understanding that FirstEnergy
12 Solutions ceased being a party in the case because it
13 filed a response opposing a request to continue the
14 hearing date?

15 A. I think I've previously answered that,
16 yes. And in my mind the motion -- the opposition to
17 the motion to continue is the same as not wanting to
18 negotiate further.

19 Q. So -- so once FirstEnergy Solutions filed
20 that, they ceased being a party in the case in your
21 mind?

22 A. No, no. I didn't say that. I didn't
23 mean to say that if that's what the question was.

24 Q. Okay. The -- so in your mind by filing

Page 31

1 response to that motion there they remained a party
2 in the case, but AEP Ohio was under no further
3 obligation to include them in settlement discussions?

4 A. We did include them after we had come to
5 the near final terms with the remaining engaged
6 parties.

7 Q. Okay. But to the extent there were
8 multiple proposals and counterproposals, FirstEnergy
9 Solutions was not included in any of that back and
10 forth or discussion, correct?

11 A. Yeah. Again, I don't know that I can say
12 with absolute certainty that they were not included
13 in any of it because of the number of parties
14 involved, but I cannot -- I can say that they were
15 not included in all of it.

16 Q. Uh-huh. Were they not included by AEP
17 Ohio in discussions regarding any of the proposals or
18 counterproposals?

19 A. During that period we did not continue to
20 share any counterproposals or proposals with the
21 parties who had opposed the motion to continue.

22 Q. All right. So that would include
23 IEU-Ohio, Ohio Partners for Affordable Energy, Office
24 of Consumers' Counsel?

Page 32

1 A. Office of Consumers' Counsel seemed to be
2 in a different mode. They continued to engage but
3 not support the motion to continue so I recall there
4 was a distinction.

5 MR. CONWAY: Jim, just one comment.
6 There's a continued kind of talking over the witness
7 and I would like you to pay attention to it.

8 MR. LANG: I'm aware of that. I think
9 part of this is I got a little -- I got a little late
10 start today and I'm --

11 MR. CONWAY: Ready to go.

12 MR. LANG: -- trying to go but I
13 understand.

14 Q. You refer -- and this is at page 9, line
15 22, you refer to "AEP Ohio continued to reach out to
16 Parties that were not participating." What's your
17 specific knowledge of how "AEP Ohio continued to
18 reach out to parties that were not participating"?

19 A. Certainly maintained an openness to those
20 parties being willing to come back in and negotiate
21 within the framework that was in play at that time.

22 Q. All right. How did you reach out to
23 other parties?

24 A. There were so many different touch points

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1 and dialogue that the communication really never
2 ceased in terms of interaction among the parties.

3 Q. With regard to FirstEnergy Solutions
4 specifically, how did you reach out or how did AEP
5 Ohio reach out to FirstEnergy Solutions?

6 A. I don't recall all the specific touch
7 points with FirstEnergy Solutions during that period
8 of time.

9 Q. Do you have any knowledge as to whether
10 AEP Ohio did reach out to FirstEnergy Solutions
11 during that time period?

12 A. I don't nor do I know if FirstEnergy
13 Solutions reached out to AEP Ohio.

14 Q. Do you know whether AEP Ohio gave
15 FirstEnergy Solutions any notice during this time
16 period that there were -- there were new possible
17 stipulation terms that were on the table and being
18 reviewed by other parties?

19 A. I don't know, though I would think that
20 would be a reasonable expectation of any of the
21 parties, that negotiations were continuing and terms
22 might continue to change.

23 Q. So you're saying that's a reasonable
24 expectation that FirstEnergy Solutions should have

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1 A. My recollection it was late in that day,
2 late afternoon perhaps. I don't recall the precise
3 time.

4 Q. Do you know whether it was after 10 p.m.?

5 A. I don't -- I don't recall the precise
6 time.

7 Q. You also say that the AEP Ohio "requested
8 a final counteroffer or solicitation for additional
9 discussions." Do you know whether there was a
10 deadline placed on that request?

11 A. I don't recall whether that request
12 specified a deadline. I suppose there was an
13 implicit deadline in that the hearing was to be --
14 the continuance went through the next morning at I
15 believe 10 a.m. So there would be an implicit
16 deadline there in my opinion.

17 Q. Do you know how this notice was provided?
18 Do you know whether it was provided by telephone?
19 E-mail?

20 A. I suppose it was provided by e-mail from
21 Mr. Nourse. That was the typical way of
22 communicating with parties.

23 Q. Did you read that e-mail? Have you read
24 that?

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1 had, but you have no knowledge whether AEP Ohio
2 provided that information to Solutions?

3 A. I don't recall.

4 Q. Uh-huh. Did you individually personally
5 have any communications with FirstEnergy Solutions
6 during that particular time period?

7 A. Again, I don't recall personal
8 communications, although I know our counsel may have
9 had communications. Other members of the team may
10 have. I don't recall any communications during that
11 time period.

12 Q. Was there someone on the AEP Ohio team
13 that was primarily responsible for communicating to
14 the parties?

15 A. Our counsel.

16 Q. Is that Mr. Nourse?

17 A. Mr. Nourse, yes.

18 Q. Do you consider FirstEnergy Solutions,
19 IEU-Ohio, and Ohio Partners for Affordable Energy to
20 be capable and knowledgeable parties?

21 A. Yes.

22 Q. You said "the day before the Stipulation
23 was finalized, AEP Ohio sent the Stipulation to all
24 Parties." Do you know when that occurred?

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1 A. I'm sure I did, yes.

2 Q. Did you review that e-mail as part of
3 putting together this testimony?

4 A. Yes.

5 Q. In the ESP as proposed to the
6 stipulation, am I correct, did there -- I guess
7 during the transition period that there will be three
8 different prices for capacity?

9 A. During the transition period, so what
10 period do you define as the transition? Up until the
11 auction?

12 Q. Correct.

13 A. Up until the June, 2015?

14 Q. Correct.

15 A. So three different prices for capacity.
16 I don't know. I'm not sure how you get to three so.

17 Q. All right. There's -- there's the \$255
18 for a kilowatt day.

19 A. Megawatt.

20 Q. Sorry, yeah, makes a big difference, per
21 megawatt day. There's for some shopping customers
22 instead of paying \$255 per megawatt day they are
23 paying whatever the RPM price is. That's a different
24 capacity price, correct?

Page 37

1 A. Correct.

2 Q. And then there's also whatever the
3 capacity price is, that standard shop -- SSO --

4 A. SSO based, yes.

5 Q. Do you know how the capacity price that's
6 embedded in the SSO rate compares to the other two --
7 to the other two capacity prices?

8 A. No, I don't. But Witness Roush would be
9 able to explain that.

10 MR. CONWAY: Could I have the last
11 question read back, please.

12 (Question read.)

13 MR. CONWAY: Thanks.

14 Q. Is it your understanding that shopping
15 during the transition period up until the auction,
16 that shopping during the transition period will be
17 constrained within the percentages for set-aside
18 capacity?

19 A. No.

20 Q. Is it your belief that there will be
21 shopping during the transition period above the
22 percentages for RPM-priced set-aside capacity that's
23 in the stipulation?

24 A. I don't know. There may be. That's a

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1 function of the competitive suppliers' individual
2 business plans and business models.

3 Q. That's a function of whether CRES
4 providers can offer a competitive price that's --
5 that's combined with the \$255 per megawatt day
6 capacity price, correct?

7 A. In their own cost structures and their
8 own ability to structure deals based on their
9 business model.

10 Q. Have you reviewed any analyses showing
11 that it's possible to have shopping move those
12 set-aside percentages, essentially shopping when
13 capacity is priced at \$255 per megawatt day?

14 A. Analyses that show?

15 Q. Yes.

16 A. There's certainly considered internal
17 proprietary analysis of what headroom might look like
18 for retail suppliers but don't have any specific
19 threshold where I believe there's a clear distinction
20 between what would happen in terms of shopping
21 because, again, it depends on the competitive
22 supplier's business which has, you know, more
23 attributes to consider than just the price to pay for
24 capacity.

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1 Q. So the headroom analyses you reviewed,
2 did any of those use a capacity price of \$255 per
3 megawatt day?

4 A. I don't recall. They may have.

5 Q. With regard to the -- the quantifiable
6 benefits of the stipulated ESP that you discuss in
7 your testimony, you reference both Witness Thomas and
8 Witness Allen providing quantifications of those
9 benefits.

10 A. Correct.

11 Q. Have you performed any quantification
12 over and above what you received from Witness Thomas
13 and Witness Allen?

14 A. Specific monetary values assigned with
15 additional parameters of the plan?

16 Q. Correct, similar to what --

17 A. No. I did what I would consider to be a
18 more qualitative assessment of other factors beyond
19 the quantitative analysis that Witness Thomas and
20 Witness Allen performed.

21 Q. Okay. So you -- you accepted and relied
22 upon their quantitative analyses and then what you
23 performed was the qualitative analysis of other
24 aspects of the ESP; is that fair?

Page 40

1 A. Yeah, that's a fair characterization,
2 yes.

3 Q. If the quantifications provided by
4 Witness Thomas and Witness Allen were erroneous, if
5 they assigned values that are higher than should have
6 been assigned, then it's possible that your opinion,
7 your overall opinion, that compares the ESP to the
8 MRO would change, correct?

9 A. Of course, under that hypothetical that
10 might be the case, yes.

11 Q. Is it your understanding that as the
12 stipulation is designed a set-aside RPM pricing is
13 designed that there will be no new governmental
14 aggregation in AEP's service territory prior to the
15 competitive auction that starts in 2015?

16 A. No.

17 Q. Have you given consideration to the
18 impact that the stipulation will have on governmental
19 aggregation in AEP Ohio territory?

20 A. Not specifically. The plan is designed
21 to be nondiscriminatory and open, the discounted
22 capacity available to all customers on a -- on a fair
23 and level playing field.

24 Q. Are you aware that there are several

10 (Pages 37 to 40)

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1 municipalities in the AEP Ohio service territory who
2 have opt-out governmental aggregation on the ballot
3 for this November?

4 A. Yes.

5 Q. And you're also aware that under Appendix
6 C of the stipulation there is a certain percentage of
7 the RPM capacity that it's allocated to residential
8 customers through December 31, 2011, correct?

9 A. Yes. During that initial period, that's
10 correct.

11 Q. And then following December 31, 2011, if,
12 for example, there's oversubscription of the cus --
13 in the commercial class and the residential class is
14 at that time undersubscribed, the oversubscription on
15 the commercial side would take over that set-aside
16 capacity that had been set aside for the residential;
17 is that correct?

18 A. That -- that is my understanding, yes.

19 Q. Do you know whether municipalities that
20 have governmental aggregation on the ballot for
21 November will be able to reserve any of that capacity
22 prior to December 31, 2011?

23 A. I do not know. I don't know the text of
24 their -- of the agreements they may have negotiated.

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1 Q. If it is not possible for them to get
2 into the queue for residential capacity prior to
3 December 31 simply because of how governmental
4 aggregation works on a statutory basis, would AEP be
5 willing to extend that December 31 deadline to some
6 period of time that would reasonably allow the --
7 those governmental aggregation customers to get into
8 that residential queue?

9 A. If you're asking would we change the
10 terms of the settlement to accommodate that?

11 Q. Yes.

12 A. No. That's a matter for all of the
13 parties who decide to sign the settlement to consider
14 something like that.

15 Q. Is that something that you think would be
16 reasonable?

17 A. I don't know. I would have to understand
18 that better.

19 MR. CONWAY: We are not going to
20 negotiate on the deposition, Jim. I'll tell him not
21 to answer the questions if you are going to go down
22 that track.

23 MR. LANG: I'm not trying to negotiate.
24 I just want to know what the AEP position is. As he

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1 said, negotiation was -- would require the
2 involvement of all parties.

3 MR. CONWAY: That's right.

4 Q. At page 12 of your testimony, line 5, you
5 have a reference to -- I believe this is a reference
6 to capacity provided at a significant discount for
7 what AEP Ohio would otherwise be willing to charge.
8 The amount that you "would otherwise be willing to
9 charge" or the price that you would otherwise be
10 willing to charge, is that a reference back to the --
11 what would be the cost-based price in Witness
12 Pearce's testimony?

13 A. Yes.

14 Q. And is that the \$355 per megawatt day?

15 A. That number from memory is the blended
16 rate for the two companies so it would be on a merged
17 AEP Ohio basis. That is the number that Witness
18 Pearce provides.

19 Q. Okay. So your understanding of that
20 number is that's the capacity price that AEP Ohio
21 is -- is willing to charge but is agreeing not to
22 charge as a result of this stipulation?

23 A. Generally I would say that's a fair
24 characterization, yes.

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1 Q. Has the Public Utilities Commission of
2 Ohio ever approved AEP Ohio charging \$355 per
3 megawatt day for capacity?

4 A. Not to my knowledge. That's a matter
5 that is being resolved in the capacity case through
6 this settlement.

7 Q. As -- as we sit here today with what the
8 Public Utilities Commission has authorized to be
9 charged for capacity, the price that's been
10 authorized is the equivalent of PJM RPM market price,
11 correct?

12 A. Under the -- in terms of state
13 compensation mechanisms, that's correct, which is a
14 matter of pending litigation.

15 Q. So the price at which AEP Ohio is going
16 to provide capacity to CRES providers under the
17 stipulation is -- is either the RPM price that the
18 Commission currently has authorized or it's a -- the
19 \$255 per megawatt day which is about what, 5 to 10
20 times higher than what the Commission has authorized,
21 correct?

22 MR. CONWAY: Excuse me. Could you read
23 back the question for me, please.

24 (Question read.)

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MR. CONWAY: I am going to object to the question because it -- I think it assumes in the premise of it something that hasn't been demonstrated which is what the Commission has authorized as a -- as a capacity price. There's no capacity price the Commission has authorized which is 5 to 10 times lower than what the company has proposed to charge during the ESP which I think is what your question assumed anyway.

MR. LANG: Okay.

MR. CONWAY: I object to the form of the question.

MR. LANG: And, Dan, I am going to ask you to limit the speaking objections the same way that you asked me to stop cutting off the witness. And so you've objected to the form of the question.

Q. Can you answer the question?

A. I would disagree in that the amount the Commission has authorized has not been resolved. It's a matter of pending litigation.

Q. There is authorization for a particular capacity price as of today, correct?

A. And that's no different than saying there's an ESP price today. This settlement resolves

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future pending litigation so referring to prior rates to me is irrelevant.

Q. I am not referring to prior rates. I am asking about the current rate today that's authorized is the RPM market price, correct?

A. Which is a matter of pending litigation.

Q. Okay. So AEP has a pending case where AEP is trying to get authority to price capacity on a different basis than the RPM price, correct?

A. That's correct.

Q. But you have not received that authority, correct?

A. That's correct and this settlement resolves that case.

Q. Uh-huh. But when you refer to a significant discounts from what AEP is willing to charge, isn't it fair to say that the issue isn't what AEP is willing to pay; the issue is what the Commission would approve to charge?

A. The -- the AEP as an FRR entity is not willing to accept an RPM rate.

Q. Has AEP Ohio accepted an RPM rate as of today?

A. As a matter of a Commission order, yes.

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But there's pending litigation to resolve that charge.

Q. Is the Commission order -- is it your understanding that the Commission order to charge the RPM price will expire sometime soon?

A. It's a matter of the pending litigation that this settlement resolves.

Q. How does AEP Ohio intend to implement corporate separation?

A. Ultimately by having a separate generating business by separating the generating resources from the non-generating resources.

Q. Okay. So is the -- is the plan at this point to transfer all existing Ohio generating resources to a -- to an AEP affiliate?

A. That -- that is the plan.

Q. Essentially to another AEP company that is an affiliate of AEP Ohio --

A. Right.

Q. -- would be a better way to say it.

A. Yes. And the ultimate resolution of those issues would also depend on the outcome of a FERC case that would be filed next year.

Q. Is it also possible that AEP Ohio would

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sell some of its generating assets to other AEP operating companies?

A. Yes.

Q. Do you know how the decision will be made as to whether all of those generating assets go into a, you know, a competitive generating affiliate or whether some -- or whether it's just some going into the competitive generating affiliate and some are sold to other AEP operating companies?

A. There would be -- we would anticipate as set forth in one of the appendices to the stip through FERC we would resolve the pool issues, the corporate separation, and the AEP system interconnection agreement whereby through which other jurisdictions have -- potentially have claims on those assets, and so it's a matter of future litigation and potential settlement that I couldn't possibly begin to try to predict.

Q. So the -- so the process that decides where those generating assets end up is -- will be the FERC process that's described in one of the appendices to the stipulation?

A. That's the -- the appendix is the timeline.

12 (Pages 45 to 48)

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1 Q. Uh-huh. Do you know whether the
2 generating assets will be transferred at -- at book
3 value, at market value, or at the higher of book or
4 market value?

5 A. I would expect they would be transferred
6 out of AEP Ohio at book value.

7 Q. Is that -- is that a provision that's in
8 the stipulation?

9 A. No.

10 Q. Is the -- is it possible this -- the
11 generating assets, that one of the options for the
12 generating assets is that none of them would end up
13 being owned by an AEP generating company that's
14 similar to FirstEnergy Solutions?

15 A. Well, I can't predict the potential
16 outcome. That seems unlikely to me.

17 Q. Is it possible that under the corporate
18 separation as provided for in the stipulation, is it
19 possible that those generating assets could be sold
20 at market, some of them?

21 A. Sold to non-AEP; is that the question?

22 Q. Essentially auctioned off.

23 A. Just sold. I suppose post-separation and
24 through the settlement of the pool -- resolution of

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1 the pool there are a number of different outcomes,
2 although I don't anticipate that outcome.

3 Q. Okay. Is that still a possible outcome
4 depending on how the pool and the corporate
5 separation discussions go at FERC?

6 A. Again, I can't predict the negative
7 outcomes from that process.

8 Q. So all of those issues and range of
9 outcomes, again, that's something that will be
10 decided as part of the FERC proceeding?

11 A. Yes, and further they are not
12 predetermined by the stipulation.

13 Q. In several places in your testimony you
14 refer to how the stipulation is providing for a path
15 to a standard service offer that has -- that is a
16 competitive rate or a market-based rate. And it
17 is -- is this a commitment in the stipulation that
18 the standard service offer pricing will be market
19 based after May of 2016?

20 A. There are no specific commitments to what
21 future SSOs might look like, but under the scenario
22 that AEP Ohio is an EDU I can't envision any other
23 scenario that would be workable with it, with an EDU
24 that does not own generation resources sufficient to

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1 serve its load. It would seem it would have to be
2 through some sort of a competitive procurement
3 mechanism for standard service offer load.

4 Q. Absent the stipulation and the agreement
5 in the stipulation, could AEP Ohio achieve corporate
6 separation in the near term over the next two or
7 three years?

8 A. I don't know.

9 Q. Since the filing, I guess -- let me start
10 that question over without limiting.

11 Are you aware of any corporate separation
12 plans, analyses, guidelines that AEP Ohio has
13 developed in order to accomplish the corporate
14 separation that's now provided for in the
15 stipulation?

16 A. Internal plans?

17 Q. Correct.

18 A. We have begun internal work to work
19 through all of the myriad issues that are involved to
20 have an adequate plan in place and to anticipate all
21 of the issues. That work is just beginning.

22 Q. Do you know whether AEP Ohio is relying
23 on the corporate separation work that was done as
24 part of the AEP Ohio's -- I guess actually Columbus

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1 Southern and Ohio Power's transition plan --

2 A. From a decade ago?

3 Q. -- from a decade ago?

4 A. Sorry to interrupt you. It's certainly a
5 reference point, but I can't say we're relying on it
6 in the sense that it's repackaging and redoing that
7 same thing.

8 Q. The new -- well, the generation affiliate
9 that's contemplated that would be receiving the
10 generation assets, do you know whether that would be
11 an existing AEP company or whether that would be a
12 new entity that's created?

13 A. I don't know.

14 Q. Do you know why there is a July 1 cutoff
15 for the group one customers in Appendix C of the
16 stipulation?

17 A. I don't, no. I could speculate it may be
18 that was the -- during the negotiations the most
19 recent in public information that was available to
20 adopt the load that switched, but I want to assert
21 that I'm speculating. I don't know that was the
22 basis for that.

23 Q. So during the time when settlement
24 discussions were taking place as part of these

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1 discussions about this other side of capacity, were
2 you referring to AEP Ohio shopping numbers that was
3 showing number of customers that were shopping?

4 A. Am I referring to it?

5 Q. Yes.

6 A. Not personally, not specifically, but I
7 imagine that parties relied on publicly available
8 information.

9 Q. Uh-huh. With regard to the different
10 groups that were in Appendix C in the stipulation for
11 the set-aside capacity, are you aware today of what
12 this status is of the -- of the load in those
13 different groups in terms of, you know, whether they
14 are -- whether the load in 2012 exceeds 21 percent,
15 is close to 21 percent, is less than 21 percent?

16 A. I have not.

17 Q. Have you been given data, a spreadsheet,
18 that shows -- you know, that shows the current load
19 in relationship to those percentages?

20 A. There was data. My recollection of data
21 shared looked at on the August 23 date at one point
22 in time but beyond that I don't know. It's a matter
23 of the team working on being sure that the -- that
24 data is accurate and precise.

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1 Q. All right. So you personally have not
2 seen anything newer than the August 23 data?

3 A. Right.

4 Q. Okay.

5 A. That's correct.

6 Q. The -- the stipulation refers to I think
7 retirement of Muskingum River 5, construction of a
8 Muskingum River 6. Can you clarify for me what the
9 plans are with regard to those plans? Is this a --
10 you know, is this a retrospect of one into the other,
11 or is it a Muskingum River 5 goes down and there is a
12 new Muskingum River 6 which is separate?

13 A. It's a matter of an ongoing engineering
14 analysis so there's not a defined plan established at
15 this point, but conceptually the idea would be to use
16 as much of the infrastructure from Muskingum River 5
17 to support Muskingum River 6 as is technically
18 feasible and economically feasible.

19 Q. Is it possible that AEP decides based on
20 the economics to continue to operate Muskingum River
21 5?

22 A. I wouldn't rule anything out. I would
23 consider that highly unlikely.

24 Q. Okay. But it's your understanding that

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1 AEP Ohio has not committed through the stipulation to
2 retire Muskingum River 5?

3 A. That's correct.

4 Q. Is it also your understanding that AEP
5 Ohio has not committed through the stipulation to
6 build Muskingum River 6?

7 A. That's correct.

8 Q. So AEP Ohio still has to make the
9 economic determination as to whether Muskingum River
10 6 will be viable and will only build it if it's
11 economically viable?

12 A. Correct. And presumably the Commission
13 would only approve it if they were viable.

14 Q. All right. Is AEP Ohio's goal of
15 transforming its generating fleet to reduce reliance
16 on gas, increase reliance -- I'm sorry, reduce
17 reliance on coal, increase reliance on gas, is -- is
18 that transformational goal dependent on this
19 stipulation?

20 A. No.

21 Q. That's a -- that's a general business
22 objective of AEP Ohio and probably of AEP, correct?

23 A. Yeah. And the stipulation is supported
24 by that goal.

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1 Q. The long-term shale gas contracts
2 referenced in the stipulation that AEP Ohio have
3 entered into, is it possible that those long-term gas
4 contracts with Ohio producers would be at a higher
5 price than long-term gas contracts with what would be
6 available from Pennsylvania producers?

7 A. We would not enter into such a contract.
8 We will anticipate these to be competitive, any such
9 long-term contract, so the answer is no.

10 Q. With regard to the Muskingum River 6
11 plant, your testimony says that AEP Ohio will file a
12 plan with the Commission by the end -- by the end of
13 2012 so that would be the end of next year with
14 regard to construction of the Muskingum River 6.
15 What's the timeline beyond filing that application
16 for construction of Muskingum River 6 and the
17 beginning of cost recovery at Muskingum River 6?

18 A. I don't have a specific timeline because
19 it depends in large part on the ultimate
20 engineering -- outcome of the engineering analysis
21 and the degree to which the plan reuses
22 infrastructure, then that could change the timeline.
23 Under any scenario I would expect would be two or
24 three years minimum from this point in time before we

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1 see such a new asset online and perhaps even longer.

2 Q. Uh-huh. Do you know whether AEP Ohio
3 would also ask the Commission as part of that
4 proceeding for a reasonable allowance for
5 construction work in progress for the Muskingum River
6 6 plant?

7 A. I don't know that.

8 Q. One of the possibilities is that AEP
9 would not file a plan by the end of 2012 because AEP
10 would decide that the economics of the plant didn't
11 justify it at that time; is that correct?

12 A. That is a possibility.

13 Q. The reference in the stipulation
14 development of 350 megawatts of customer-sited
15 combined heat and power and other generating
16 resources, in your testimony you refer to that
17 commitment, and then it says -- this is at page 17,
18 lines 17 and 18, says "with the costs to be recovered
19 through an appropriate rider." What do you mean by
20 "an appropriate rider"?

21 A. Appropriate for the type of project and
22 the nature of the resource, it might be a GRR type
23 rider if it's an asset owned by the company. It
24 might be through the alternative energy rider. There

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1 are a number -- that might be purchased power. There
2 is -- there are a number of different scenarios that
3 could emerge, and it's impossible at this point to
4 predict what the regulatory treatment might be or
5 what we might seek.

6 Q. So the 350 megawatts is not necessarily
7 owned by AEP Ohio?

8 A. Not necessarily, that's correct.

9 Q. AEP Ohio could participate in the
10 development of a generation resource that would be
11 owned by a third party and then have a purchased
12 power contract with that third party.

13 A. That's a scenario that's conceivable,
14 yes.

15 Q. Okay. Is it your understanding that all
16 of this 350 megawatts would be in furtherance of AEP
17 Ohio satisfying its renewable energy in advanced
18 energy benchmarks?

19 A. I would hope so, yeah. I think that's
20 the base understanding or the base goal.

21 Q. Is AEP Ohio currently contributing to
22 Partnership of Ohio?

23 A. We do, yes. We do have -- currently have
24 a partnership with the Ohio plan.

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1 Q. Do you know what the current contribution
2 levels are?

3 A. We currently in the current ESP had
4 committed \$5 million per year.

5 Q. Is that \$5 million also in the AEP Ohio's
6 current 2012 budget?

7 A. The \$5 million?

8 Q. Correct.

9 A. No, no.

10 Q. Do you budget on a calendar year, or do
11 you have a different fiscal year?

12 A. Calendar year.

13 Q. Calendar year, okay. Under the
14 stipulation the contribution with Partnership with
15 Ohio is a \$3 million annual commitment; is that
16 correct?

17 A. That's correct.

18 Q. And that contribution is contingent on
19 the determined equity exceeding 10 percent for the
20 prior calendar year, correct?

21 A. That's correct.

22 Q. So the -- the \$3 million for 2012 depends
23 upon the 2011 return on equity; is that correct?

24 A. That is correct.

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1 Q. And would that be a -- it says AEP Ohio
2 return on equity so would that be a combined Columbus
3 Southern and Ohio Power 2011 number?

4 A. The stipulation seeks approval of the
5 merger of the two companies, so it would be on a
6 merged basis.

7 Q. Do you know what the 2011 return on
8 equity is forecasted to be for the merged company?

9 A. I don't recall. I haven't looked at that
10 lately. I suspect it would be adequate to fund this,
11 if that's the question.

12 Q. Uh-huh. Is the -- is the calculation of
13 return on equity for purposes of this, you know, this
14 10 percent goal, 10 percent target, is the
15 calculation of this return on equity the same as how
16 return on equity is defined for purposes of the SEET
17 test?

18 A. No. This is a straight -- straight up
19 return on equity of the company.

20 Q. Is -- is that a provision that's in the
21 stipulation because there's references in the
22 stipulation to return on equity for SEET and return
23 on equity for the purpose of this?

24 A. This -- this as it states is AEP Ohio's

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<p>1 return on equity. There is no reference to -- as</p> <p>2 determined through the SEET proceeding or previous</p> <p>3 SEET proceedings. That only appears to my</p> <p>4 recollection in the provision related to the SEET</p> <p>5 threshold in the stipulation.</p> <p>6 Q. Do you have or has any other AEP Ohio</p> <p>7 witness provided return on equity estimates for 2012</p> <p>8 or any future years, that is, this definition of</p> <p>9 return on equity?</p> <p>10 A. Witness Allen does provide pro formas. I</p> <p>11 don't recall if it's this definition.</p> <p>12 Q. Okay. So you don't recall whether the</p> <p>13 return on equity that needs calculating is this</p> <p>14 return on equity that's used for purposes of the</p> <p>15 contributions to the Partnership with Ohio?</p> <p>16 A. Right. I don't recall what, if any,</p> <p>17 adjustments he might make in his pro formas.</p> <p>18 Q. If it's not in his testimony, it's not in</p> <p>19 anyone else's testimony?</p> <p>20 A. The pro forma?</p> <p>21 Q. The -- the estimates of AEP Ohio's return</p> <p>22 on equity.</p> <p>23 A. That's correct.</p> <p>24 Q. I asked you whether you knew 2011. Have</p>	<p>1 proceeding dealing with -- with asking the Commission</p> <p>2 to authorize the nonbypassable surcharge for cost</p> <p>3 recovery for Turning Point, correct?</p> <p>4 A. Yes. That's correct.</p> <p>5 Q. Is it true that AEP Ohio has committed to</p> <p>6 developing the Turning Point project?</p> <p>7 A. With certain conditions, yes.</p> <p>8 Q. Has AEP committed to the Public Utilities</p> <p>9 Commission of Ohio to invest 20 million in the</p> <p>10 Turning Point Project or some other similar project</p> <p>11 by the end of 2012?</p> <p>12 A. Committed in what sense? In what form?</p> <p>13 Q. Committed in terms of committed in -- in</p> <p>14 documents filed with the Public Utilities Commission</p> <p>15 of Ohio that AEP Ohio will do that, will make that</p> <p>16 \$20 million investment.</p> <p>17 A. Yes, we certainly have subject to</p> <p>18 approval of the recovery of that investment.</p> <p>19 Q. Okay. So your understanding is that</p> <p>20 the -- the commitment to invest the 20 million is</p> <p>21 contingent upon the Commission approving cost</p> <p>22 recovery through a nonbypassable surcharge.</p> <p>23 A. The project is contingent on that, yes.</p> <p>24 Q. But just to be clear the project and the</p>
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<p>1 you -- are you familiar with any numbers that are</p> <p>2 return on equity estimates for 2012 or any future</p> <p>3 year?</p> <p>4 A. Only what's in Witness Allen's pro forma.</p> <p>5 Q. In Witness Thomas's price comparison of</p> <p>6 the ESP are you familiar with whether she included</p> <p>7 the GRR cost in that -- in her analysis?</p> <p>8 A. I don't recall specifically, but I don't</p> <p>9 believe that she did because there's no determination</p> <p>10 of what that rate might be during the period of the</p> <p>11 MRO test in her analysis. It's the subject of a</p> <p>12 future regulatory proceeding.</p> <p>13 Q. In earlier -- earlier in this case there</p> <p>14 was testimony filed by AEP Ohio that was -- that</p> <p>15 identified the potential future costs of the Turning</p> <p>16 Point Project. And it estimated for beginning in</p> <p>17 2013 what the Turning Point costs would be that would</p> <p>18 be recovered from customers. Is it -- is that</p> <p>19 testimony still consistent with AEP Ohio's plans for</p> <p>20 developing the Turning Point Project?</p> <p>21 A. I believe it is, and it also is the</p> <p>22 subject of a future regulatory proceeding.</p> <p>23 Q. To the extent that as part of the</p> <p>24 stipulation AEP says that it will be filing a future</p>	<p>1 \$20 million of investment would be contingent on</p> <p>2 that?</p> <p>3 A. Sure.</p> <p>4 Q. Do you know whether Witness Thomas's ESP</p> <p>5 versus overall price comparison includes all years of</p> <p>6 the ESP term as defined in the stipulation?</p> <p>7 A. From recollection her analysis looks at</p> <p>8 pricing in the years preceding the auction. So the</p> <p>9 last 12 months of the plan she did not include.</p> <p>10 Q. Did you have any discussions with her</p> <p>11 concerning why she decided not to include the last</p> <p>12 year of the plan in her analysis?</p> <p>13 A. No, no. I relied on her to make that</p> <p>14 determination.</p> <p>15 Q. Okay. Did -- you know, did she offer any</p> <p>16 explanation to you as to why she did that?</p> <p>17 A. No. Again, I didn't ask her about that.</p> <p>18 Q. All right. You relied on her --</p> <p>19 A. Right.</p> <p>20 Q. -- on her determination. Do you know</p> <p>21 what capacity price or prices she used in her</p> <p>22 analysis?</p> <p>23 A. For what part of the analysis?</p> <p>24 Q. Actually for any part of the ESP versus</p>

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1 MRO analysis.

2 A. Yeah. There's the capacity price for the
3 market component that blends into the MRO side of the
4 equation. So my understanding is she used the blend
5 of RPM and 255 that's embodied in the stipulation.

6 Q. Did you have discussions with her
7 regarding whether she used that -- why she used that
8 blend?

9 A. Only briefly.

10 Q. Okay. How did she explain it to you?

11 A. That that indeed is the market price
12 under this stipulation.

13 Q. Okay.

14 A. I'm sure that's a simplification of what
15 Witness Thomas would explain.

16 Q. If Witness Thomas used all RPM capacity
17 pricing instead of a blend, do you know what the
18 outcome would be in the MRO versus ESP comparison?

19 A. I do not.

20 Q. If she included fuel increases in her
21 comparison, do you know what the outcome would be in
22 her MRO versus ESP price comparison?

23 A. I do not.

24 Q. Your testimony refers to Mr. Allen's

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1 calculation of the benefit of the discounted capacity
2 pricing \$856 million.

3 A. Yes.

4 Q. Are you familiar with how he calculated
5 that number?

6 A. No. I didn't study the specific
7 underlying calculations.

8 Q. I want to ask you about a -- on page 29
9 if you can -- at the top of page 29, on the second
10 line it says, "Furthermore, under an MRO, future
11 environmental costs would be explicitly recovered
12 from customers." Can you explain that to me, how
13 future environmental costs would be explicitly
14 recovered from customers under an MRO?

15 A. Yes. My understanding of the MRO
16 provisions in the law allow for recovery of four
17 different items, one of those being environmental
18 costs. I don't recall the other three, but I'm sure
19 environmental is one of the four.

20 Q. All right. So that's a reference to the
21 generation service price that's blended with the
22 market price during, you know, kind of 90 percent,
23 80 percent price part of the transition.

24 A. Right. For shorthand the cost-based side

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1 of that.

2 Q. Gotcha. Getting to the end.

3 MR. CONWAY: Take your time.

4 Q. I asked you about the Turning Point
5 testimony and the cost information that was filed.
6 The -- as that testimony was filed, it showed the
7 goal was to have cost recovery start in 2013. Does
8 that -- does that remain the timeframe for AEP Ohio
9 with regard to Turning Point?

10 A. The timeframe is now the subject of
11 future regulatory action. We would hope it would
12 still begin in 2013.

13 Q. Okay. Because the -- I think the
14 stipulation refers to something like a workable
15 schedule for that. I was trying to see whether you
16 had any more detail on what AEP considers a workable
17 schedule. I mean, is that to try to get approval in
18 2012 so that you can start building?

19 A. I don't have that level of precision. My
20 general understanding is the project depends on
21 certain types of tax incentives and financing
22 mechanisms that are perishable, so we want to make
23 sure that we fit within those time windows.

24 Q. With regard to the Muskingum River 6

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1 plant that could be included in the GRR, is
2 construction of the Muskingum River 6 facility
3 contingent on or dependent upon Commission approval
4 of cost recovery through the GRR?

5 A. That's a filing yet to be made. So it's
6 to be determined but that's the general idea.

7 Q. Is it possible that the Muskingum River 6
8 unit would be constructed outside of the GRR cost
9 recovery process and simply be AEP Ohio merchant
10 generation or merchant generation of the new
11 generation -- the generating affiliate?

12 A. There's two parts to the question. I
13 can't foresee how the EDU would do it without that
14 GRR recovery. I can't speak for what a merchant
15 affiliate might do. They may or may not consider
16 such an investment.

17 Q. Is it fair to say putting specifics aside
18 that unit will only be built if it makes sense from a
19 market perspective?

20 A. Depending on what you mean by a market,
21 yes, I think that's a fair statement.

22 Q. Are there costs related to the shutdown
23 of the Muskingum River 5 plant that AEP Ohio would
24 seek to recover through the GRR rider?

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1 A. Yes. We do anticipate retirement costs
2 being a part of that plan.

3 Q. Can you explain to me like what's --
4 what's contemplated how that would work?

5 A. I don't know because it depends on the
6 study to determine what, if any, portions of the
7 existing infrastructure can be reutilized with MR6
8 and what would need to be retired as a result of that
9 project so it's indeterminable.

10 Q. Would the -- would the cost of the part
11 of MR5 that can't be utilized in the new plant, would
12 those costs be -- would AEP seek to roll those costs
13 into the GRR?

14 A. That would be the retirement costs, yes.

15 Q. Okay. I want to put in front of you -- I
16 am going to put in front of you a document that was
17 labeled as a deposition exhibit in Ms. Thomas's
18 deposition I think it was in August. I'm not going
19 to mark it. It's a document that's marked
20 "restricted access confidential." I am not going --
21 I am not going to mark it. I am not going to ask you
22 about the specific numbers and don't want you to
23 refer to the specific numbers because the goal is to
24 keep this transcript public, but I just want to ask

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1 you if you have -- if this document and if the fuel
2 revenue estimates in that document, you know -- let
3 me ask you, first of all, have you seen the document
4 before?

5 A. I do not recall seeing this document, no.

6 Q. The fuel revenue estimate numbers that
7 are set forth in that document, have you seen those
8 before?

9 A. I don't recall seeing those estimates
10 before, no.

11 Q. Have you seen any other fuel estimates
12 internal to AEP Ohio that are consistent with those
13 numbers?

14 A. Not that I recall. There's not enough
15 information on this page for me to be able to
16 understand the underlying estimates and what's behind
17 that.

18 Q. Uh-huh. Do you know whether for purposes
19 of this stipulation AEP Ohio has developed fuel cost
20 estimates that would show what the -- what the FAC
21 price would be for years 2012 through 2014?

22 A. Individual point estimates for each of
23 those years; is that the question?

24 Q. An estimate for each of those years, yes.

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1 A. Yeah, yeah. I don't know. I would rely
2 on Witnesses Allen and Roush for that level of
3 detail.

4 Q. Okay. That's all I want to do with that.

5 A. Yeah.

6 MR. LANG: Thanks. Those are all the
7 questions I have.

8 THE WITNESS: Thank you.

9 MR. LANG: Does anyone on the phone have
10 questions?

11 UNIDENTIFIED SPEAKER: No, thank you.

12 MR. LANG: Is there only one person on
13 the phone?

14 UNIDENTIFIED SPEAKER: No, but I am not
15 as polite.

16 MR. LANG: Going once, going twice,
17 closed.

18 I think we are complete. Are you going
19 to waive signature?

20 MR. CONWAY: No. We'll read the
21 transcript. Thank you.

22 MR. LANG: We can go off the record.

23 (Thereupon, the deposition was concluded
24 at 5:03 p.m.)

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1 State of Ohio :
2 : SS:

3 County of _____:
4 I, Joseph Hamrock, P.E., do hereby certify
5 that I have read the foregoing transcript of my
6 deposition given on Wednesday, September 21, 2011;
7 that together with the correction page attached
8 hereto noting changes in form or substance, if any,
9 it is true and correct.

10 _____
11 Joseph Hamrock, P.E.

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

19 _____
20 Notary Public

21 My commission expires _____,
22 _____
23 _____
24 _____

CERTIFICATE

State of Ohio

SS:

County of Franklin

I, Karen Sue Gibson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Joseph Hamrock, P.E. was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 22nd day of September, 2011.

Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

My commission expires August 14, 2015.

(KSG-5419b)

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :Case No. 10-2376-EL-UNC.
Company and Columbus :
Southern Power Company for:
Authority to Merge and :
Related Approvals. :

In the Matter of the :
Application of Columbus :Case No. 11-346-EL-SSO
Southern Power Company :Case No. 11-348-EL-SSO
and Ohio Power Company for:
Authority to Establish a :
Standard Service Offer :
pursuant to Section :
4928.143, Revised Code, in:
the Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :Case No. 11-349-EL-AAM
Southern Power Company :Case No. 11-350-EL-AAM
and Ohio Power Company :
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :Case No. 10-343-EL-ATA
Southern Power Company to :
Amend its Emergency :
Curtailment Service :
Riders. :
In the Matter of the :
Application of Ohio :Case No. 10-344-EL-ATA
Power Company to Amend its:
Emergency Curtailment :
Service Riders. :
In the Matter of the :
Commission Review of :Case No. 10-2929-EL-UNC
the Capacity Charges of :
Ohio Power Company and :
Columbus Southern Power. :

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1301 K. Street NW, Suite 600 East Tower
Washington, DC 20005

On behalf of the Ormet, Inc.

Also Present:

Mr. David L. Griffing, First Energy
Mr. Rebecca Leiter, First Energy
Mr. Roger Ruch, FirstEnergy (via telephone).

1 In the Matter of the :
2 Application of Columbus :Case No. 11-4920-EL-RDR
3 Southern Power Company for:
4 Approval of a Mechanism to:
5 Recover Deferred Fuel :
6 Costs Ordered under :
7 Section 4928.144, Ohio :
8 Revised Code. :
9 In the Matter of the :
10 Application of Ohio :Case No. 11-4921-EL-RDR
11 Power Company for Approval:
12 of a Mechanism to Recover :
13 Deferred Fuel Costs :
14 Ordered under Section :
15 4928.144, Ohio Revised :
16 Code :
17
18
19
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21
22
23
24

DEPOSITION

of Richard E. Munczinski, taken before me, Rosemary
F. Anderson, a Notary Public in and for the State of
Ohio, at the offices of Porter, Wright, Morris &
Arthur, LLP, 41 South High Street, Columbus, Ohio, on
Thursday, September 22, 2011 at 9:00 a.m.

ARMSTRONG & OKEY, INC.
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EXHIBIT

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Page 5

1 MR. LANG: Mr. Munczinski, good morning.
 2 My name is Jim Lang. I will be asking you questions
 3 today on behalf of FirstEnergy Solutions.
 4 If we could have the folks on the phone,
 5 to the extent they want to, identify themselves and
 6 make appearances. Thank you.
 7 MR. DARR: Frank Darr on behalf of IEU.
 8 MR. LANG: Anyone else?
 9 MR. HAYDEN: Mark Hayden on behalf of
 10 FES.
 11 MR. RUCH: Roger Ruch, FirstEnergy
 12 Solutions.
 13 MR. LANG: Any other attorneys?
 14 MR. MITCHELL: This is Jim Mitchell,
 15 Davis, Wright, Tremaine.
 16 MR. LANG: Any non-FirstEnergy attorneys?
 17 We can narrow this down.
 18 All right. Sounds like not.
 19 MR. NOURSE: Steve Nourse here for
 20 Columbus Southern Power and Ohio Power Company.
 21 ---
 22
 23
 24

Page 6

1 RICHARD E. MUNCZINSKI,
 2 being first duly sworn, as hereinafter certified,
 3 deposes and says as follows:
 4 EXAMINATION
 5 By Mr. Lang:
 6 Q. Mr. Munczinski, have you had your
 7 deposition taken before?
 8 A. Yes.
 9 Q. How many times have you been deposed?
 10 A. I cannot recall. Numerous times, though.
 11 Q. More than ten?
 12 A. Probably not.
 13 Q. Five to ten?
 14 A. Probably.
 15 Q. Okay. I'll be asking you a series of
 16 questions. If I ask you a question that is
 17 confusing, please let me know. The goal here is to
 18 have as clear a record as we can accomplish, so if I
 19 do ask a question that's confusing, will you please
 20 let me know?
 21 A. I will.
 22 Q. In your testimony I wanted to ask you,
 23 first starting at page 3 of your testimony, around
 24 lines 19 to 21, this relates to PJM implementation of

Page 7

1 a capacity market pricing. You say that AEP
 2 "expressed concern over the long-term negative
 3 impacts of the RPM capacity market." Were you
 4 involved in that process?
 5 A. Not directly involved.
 6 Q. Okay. So you were not one of the
 7 individuals on behalf of AEP expressing concern to
 8 FERC?
 9 A. Not at that time.
 10 Q. Do you know who was expressing that
 11 concern?
 12 A. My recollection would be that that was
 13 being handled by Craig Baker, who was my predecessor
 14 as senior vice president of regulatory services.
 15 Q. And so this information that you describe
 16 here at the bottom of page 3 of your testimony about
 17 the interaction between AEP and PJM, is that an
 18 understanding that comes to you from discussions with
 19 Mr. Baker?
 20 A. No.
 21 Q. And how do you come by that
 22 understanding?
 23 A. It's more of an understanding from
 24 reading some of the prior filings and some of the

Page 8

1 filings within the capacity case talking, speaking
 2 with Dana Horton, who was also part of that process
 3 with Mr. Baker.
 4 Q. Do you know what specifically the concern
 5 was?
 6 A. Well, my understanding is that AEP
 7 preferred, particularly that the operating companies
 8 in the East preferred to look more like a regulated
 9 entity than not, and this gave us an opportunity to
 10 do that.
 11 Q. Why was the preference to look more like
 12 a regulated entity?
 13 A. Because we have 11 states, and we have
 14 seven operating companies, and now with the exception
 15 of perhaps of Ohio, we are a regulated entity.
 16 That's just our preference and our culture.
 17 Q. And, again, that understanding that you
 18 have comes from your review of these documents that
 19 were -- are they documents that were filed with FERC?
 20 A. Sure.
 21 Q. Do you have any firsthand knowledge of
 22 the interaction between AEP and PJM during this time
 23 period in 2007?
 24 A. No.

2 (Pages 5 to 8)

Page 9

1 Q. Are you familiar with AEP Ohio's capacity
2 charges to CRES providers since AEP's inclusion into
3 PJM in June 2007?

4 A. Well, to a limited extent. I guess I
5 could tell you what last year's and the current
6 charge is. I'm not sure I can tell you before that,
7 but I'm sure it's available.

8 Q. Let's start with you said the last year
9 and the current charge. What are those?

10 A. The current charge -- well, the current
11 charge in the simplest form, call it that, is \$100 a
12 megawatt-day. It was a \$74 per megawatt-day in the
13 prior year.

14 Q. You are referencing testimony. Is that
15 your testimony or somebody else's?

16 A. It's Kelly Pearce's testimony.

17 Q. Is that table 1 of the Kelly Pearce's
18 testimony?

19 A. Correct.

20 Q. Prior to going back to 2007, are you
21 familiar with what the prices were that were charged
22 to CRES providers for capacity?

23 A. Prior to the implementation of SB 221,
24 which was January 1, 2009, I don't think that

Page 10

1 situation existed. It could have. I'm not
2 knowledgeable about that.

3 Q. Over the applicable time period, has AEP
4 always charged CRES providers the RPM market price?

5 A. That's my understanding.

6 Q. At page 6 of your testimony, starting
7 around line 10 or 11, you have a reference to three
8 alternatives for pricing capacity, and you say those
9 are alternatives available under FRR. What is FRR?

10 A. Fixed resource requirement.

11 Q. These three alternatives, are those in an
12 FRR document?

13 A. Yes. They are part of our contract with
14 PJM.

15 Q. Is that contract what is referred to as
16 the RAA?

17 A. I believe so.

18 Q. Do you know what RAA stands for?

19 A. Not off the top of my head. I guess we
20 get so used to using the acronyms. It's reliability
21 something.

22 Q. Are you personally familiar with the
23 provisions of the RAA?

24 A. Yes, that I am, at least this provision.

Page 11

1 Q. This provision that outlines these three
2 alternatives that you reference in your testimony, do
3 you know where specifically that appears in the RAA?

4 A. No.

5 Q. In preparing your testimony, did you
6 reference that provision?

7 ~~A. Yes.~~

8 Q. And do you believe your description in
9 your testimony of these three alternatives is
10 consistent with the language in the RAA?

11 A. Certainly consistent with the intent, as
12 we read it.

13 Q. So by saying consistent with intent, does
14 that mean your description of the three alternatives
15 is a paraphrasing of the language in the RAA?

16 A. Correct.

17 Q. The RAA language says that of these three
18 alternatives, to the extent there is a state
19 compensation mechanism, then the state mechanism will
20 control; is that correct?

21 A. Well, I mean, that's obviously the
22 disagreement we have with both the state of Ohio and
23 FERC at this point. We believe that that's a
24 wholesale rate and that the wholesale rate should be

Page 12

1 set by the FERC and not PUCO. If PUCO does want to
2 set a retail rate, then it can set a retail rate but
3 can't set a wholesale rate.

4 Q. Thank you, but I don't think that's the
5 question I asked. What I asked, does the language of
6 the RAA state that if there is a state compensation
7 mechanism, that the state compensation mechanism will
8 control?

9 A. It says in the absence of a state
10 mechanism, then you could either have a cost-based or
11 an RPM.

12 Q. Is it your understanding that AEP can
13 have a cost-based capacity price notwithstanding the
14 Public Utilities Commission of Ohio setting a state
15 compensation mechanism?

16 A. Yes.

17 Q. So the Public Utilities Commission of
18 Ohio can establish a state compensation mechanism,
19 and AEP Ohio can still go ahead and charge a
20 cost-based price and ignore what the Public Utilities
21 Commission of Ohio did?

22 A. Depending on what the FERC says.

23 Q. Okay. And AEP's Ohio's position is the
24 language of the RAA allows the FERC to disregard the

3 (Pages 9 to 12)

Page 13

1 state compensation mechanism in favor of another
2 compensation method; is that correct?

3 MR. NOURSE: I object to the term
4 "disregard."

5 You can answer.

6 A. Again, our position is that a sale for
7 resale, so a sale from a utility, such as AEP Ohio,
8 to a CRES provider is a wholesale sale and that FERC
9 has jurisdiction over wholesale sales.

10 Q. Are you aware that the Public Utilities
11 Commission of Ohio has currently established a state
12 compensation mechanism for AEP Ohio?

13 A. I'm aware that they have an interim rate
14 established.

15 Q. Do you see a difference between an
16 interim rate and a rate which is a state compensation
17 mechanism?

18 A. Yes.

19 Q. One way or another, it's still a state
20 compensation mechanism, correct?

21 A. As an interim state mechanism.

22 Q. Are you calling it an interim mechanism
23 because -- does it have a deadline? Does it have an
24 end date?

Page 14

1 A. We hope.

2 Q. You don't know?

3 A. I think the term "interim," like this is
4 an interim deposition -- maybe if I'm here for three
5 days, maybe it's not interim.

6 Q. Does the state compensation mechanism
7 established by the Public Utilities Commission of
8 Ohio have an end date?

9 A. No, not that I'm aware of.

10 Q. Is AEP Ohio currently charging CRES
11 providers for capacity based on the state
12 compensation mechanism established by the Public
13 Utilities Commission of Ohio?

14 A. Yes, they're charging them the interim
15 rate established by the PUCO.

16 Q. In your testimony it refers to -- you
17 refer to the state compensation mechanism as a
18 "properly designed state retail mechanism." Is that
19 the actual language of the RAA?

20 MR. LANG: Objection. Can you give a
21 reference if you are quoting his testimony?

22 Q. Page 6, lines 12 and 13.

23 A. My line 13 says --

24 MR. NOURSE: That's line 10, I believe

Page 15

1 where you started.

2 Can we go off the record for a minute?

3 (Discussion off record.)

4 Q. The question was, at those lines you
5 refer to a "properly designed state retail
6 compensation mechanism." Is that the language of the
7 RAA?

8 A. I have to check that out. I don't have
9 that document with me. Again, the intent -- my
10 understanding that's the intent of it.

11 Q. The RAA has an option, a compensation
12 based on the FRR entity's cost. Is that your
13 understanding?

14 A. Correct.

15 Q. Is there any language in the RAA that
16 defines the FRR entity's cost as full embedded costs
17 of the generating units?

18 A. Not to my knowledge.

19 Q. Is it your understanding that the
20 reference in the RAA to cost is intended to be a
21 reference to full embedded costs of generating units?

22 A. Yes. In my mind, going back through the
23 Public Utility Holding Company Acts, the definition
24 of cost was fairly proscriptive. Costs also include

Page 16

1 a return on equity.

2 Q. Your understanding comes from a review of
3 the Public Utility Holding Company Act; is that
4 correct?

5 A. My understanding comes from 30-something
6 years in the regulatory business.

7 Q. Does it come from participation in the
8 PJM process in which the RAA was adopted?

9 A. No.

10 Q. Were you personally involved in the
11 drafting of the provision of the RAA that describes
12 the alternatives for pricing capacity?

13 A. No.

14 Q. Are you familiar with the term "to go
15 costs"?

16 A. No.

17 Q. Have you ever heard references to the
18 term "to go costs" in terms of the PJM RPM pricing?

19 A. No.

20 Q. Are you familiar with how PJM RPM pricing
21 works?

22 A. Pricing for what?

23 Q. For capacity.

24 A. In general, just as it's an auction.

4 (Pages 13 to 16)

Page 17

1 Q. Okay. Are you familiar with the market
2 monitor function that is part of the RPM auction
3 process?

4 A. No.

5 Q. Do you know whether the fully embedded
6 costs that AEP Ohio seeks to use as the basis for its
7 cost-based capacity pricing, whether those costs are
8 equivalent to the generating unit costs that are used
9 as the basis for PJM RPM auction pricing?

10 MR. NOURSE: Could you read that back?
11 (Record read.).

12 MR. NOURSE: I object to saying "as the
13 basis for." I'm not sure what that means.

14 You can answer.

15 A. I'm not familiar with the auction. I'm
16 familiar with what we consider as cost based.

17 Q. Do you know whether a PJM capacity
18 auction, an RPM auction, whether all capacity clears
19 in the auction?

20 A. My understanding is that all does not.

21 Q. Do you know how PJM determines what
22 capacity clears?

23 A. No.

24 Q. Do you know whether 100 percent of AEP

Page 18

1 Ohio's capacity, if it had been bid into the most
2 recent RPM auction, whether it would have cleared?

3 A. I guess nobody knows the answer to that
4 question. It's too hypothetical. We didn't bid into
5 the auction. We are an FRR.

6 Q. If it had been bid into the auction, what
7 would you need to know to determine whether it would
8 clear?

9 A. We would need to know how the auction
10 worked, obviously.

11 Q. Would it also depend on the relationship
12 between the clearing price and AEP Ohio's costs?

13 A. Again, I'm not familiar with the auction
14 process.

15 Q. Does AEP Ohio currently recover
16 100 percent of its capacity costs through its
17 standard service offer rates charged to nonshopping
18 customers?

19 A. My opinion would be yes.

20 Q. You don't know?

21 A. Well, that's a difficult question to
22 answer. It basically says if I was earning an
23 adequate return, which I believe we are, then I
24 should be recovering all my costs.

Page 19

1 Q. And does that mean you believe that AEP
2 Ohio is fully recovering the full embedded costs of
3 its generating units as described in Mr. Pearce's
4 testimony?

5 A. I believe we are recovering our full
6 costs.

7 Q. Do those costs include all of the costs
8 of legacy generating units?

9 A. I'm not sure what the term "legacy
10 generating units" mean." Do they recover the costs
11 of the current generating units?

12 Q. Do they include the full cost recovery of
13 all generating units that were operating prior to
14 2001?

15 MR. NOURSE: Objection. Are you asking
16 if they are still operating as well? Are you asking
17 that?

18 A. If they were operating in 2001 and
19 they're still operating in 2011, then I would say
20 we're recovering our costs.

21 Q. Are those capacity costs offset by
22 capacity sales?

23 A. Well, you're using the term loosely. We
24 don't sell, necessarily sell -- I guess we do. I'm

Page 20

1 sorry. Ask the question again. I'm sorry.

2 Q. Are those capacity costs offset by
3 capacity sales?

4 A. Yes.

5 Q. Are they all offset by energy sales?

6 A. To the extent that everything goes
7 through the income statement, yes.

8 Q. In determining the fully embedded costs
9 being recovered from standard service offer
10 customers, in determining whether AEP Ohio is earning
11 a fair return, as you mentioned earlier, does that
12 include not only determining what those fully
13 embedded costs are, but also offsetting from those
14 costs any capacity sales, energy sales, and ancillary
15 services revenues that are related to those units?

16 A. If I understood your question, yes, it
17 does.

18 Q. Have CRES providers, in your opinion,
19 received a subsidy for use of AEP's capacity since
20 June 2007?

21 A. Let's clarify the question, if I may,
22 because I believe we just started -- my knowledge is
23 with the current ESP, SB 221 started January 1, 2009.
24 So any sales after that date to a CRES provider has

5 (Pages 17 to 20)

Page 21

1 been subsidized.
 2 Q. Did you have sales to CRES providers in
 3 2008 of capacity?
 4 A. I have no knowledge of that.
 5 Q. So you don't know one way or the other?
 6 A. I don't know one way or the other.
 7 Q. ~~Same answer for 2007?~~
 8 A. Correct.
 9 Q. The capacity costs that you referenced in
 10 your testimony, are you relying on AEP Ohio witness
 11 Pearce for definition of what those capacity costs
 12 are?
 13 A. Yes.
 14 Q. The calculation you perform at the bottom
 15 of page 7, which starts with the financial impact of
 16 100 percent shopping, is that a calculation that's
 17 using Mr. Pearce's capacity costs?
 18 A. Correct.
 19 Q. Did you personally have any involvement
 20 in calculating those capacity costs?
 21 A. No.
 22 Q. Were you involved in determining the
 23 categories of costs that were included in that
 24 calculation?

Page 22

1 A. No. But I did review the calculation,
 2 and it looked like it was correctly performed.
 3 Q. Were you involved in determining the
 4 appropriate revenue offsets that were included in the
 5 calculation?
 6 A. No.
 7 Q. Do you know if AEP Ohio, if Mr. Pearce,
 8 included an offset for off-system sales of energy?
 9 A. No. He took the annual production fixed
 10 costs.
 11 Q. Are you looking at one of Mr. Pearce's
 12 workpapers?
 13 A. No. I'm looking at my workpaper.
 14 Q. Which workpaper is that?
 15 MR. NOURSE: It was one of the two we
 16 gave you for his testimony.
 17 MR. LANG: Is it labeled? Is there a
 18 heading?
 19 MR. NOURSE: Probably not.
 20 MR. LANG: I'm just trying to identify it
 21 for the record.
 22 MR. NOURSE: Is there a title?
 23 THE WITNESS: It says RPM impact
 24 Analysis.

Page 23

1 MR. LANG: It says RPM Impact Analysis,
 2 okay.
 3 Q. The calculation at the bottom of page 7,
 4 how was that calculation done?
 5 A. Again, back to the workpaper, it's a
 6 fraction of the RPM rate divided by the final FRR
 7 rate, times the annual production fixed costs, gives
 8 you what he calls as column A, the number in column
 9 A, and then that is added with both CSP and Ohio
 10 Power Company and subtracted from the annual
 11 production costs.
 12 Q. You started by saying a fraction of
 13 the -- what was it? A fraction of the RPM rate?
 14 A. Right. Well, it's the RPM rate divided
 15 by the FRR rate for each of the companies.
 16 Q. Okay. And the RPM rate is the RPM rate
 17 that is in Mr. Pearce's testimony?
 18 A. Yes.
 19 Q. And the FRR rate is what Mr. Pearce
 20 calculates as the full cost rate?
 21 A. Correct. So the FRR rate is the capacity
 22 price that AEP Ohio has asked the Commission to
 23 approve as an increase from the current, what you
 24 would say interim, RPM price; is that correct?

Page 24

1 MR. NOURSE: Can I object? Just to
 2 clarify, are you asking about the position in the
 3 2929 docket on the Stipulation?
 4 MR. LANG: Outside of the Stipulation,
 5 the pending dockets.
 6 A. Right. These were the other two
 7 cost-based rates that were filed for.
 8 Q. And the calculation is the same for
 9 100 percent shopping and 50 percent shopping?
 10 A. Correct.
 11 Q. Under the ESP as proposed in the
 12 Stipulation, it's fair to say these shopping levels
 13 will not exist during the period of the Stipulation,
 14 correct?
 15 A. That would be difficult but not
 16 impossible.
 17 Q. Is it your understanding that the pricing
 18 of capacity in the Stipulation will limit shopping to
 19 the percentages of set-aside capacity provided in the
 20 Stipulation?
 21 A. No.
 22 Q. Is it your opinion that the thought and
 23 theory of the Stipulation is that shopping will be
 24 constrained to the discounted RPM price?

6 (Pages 21 to 24)

Page 25

1 A. That's what I said in the call, the call
2 to the analysts, according to the transcript.

3 Q. And when you made that statement on
4 September 7, did you believe it to be true?

5 A. Yes.

6 Q. Do you believe that statement to be true
7 today?

8 A. Yes.

9 Q. You also said in that statement that
10 basically we should see no more shopping than the 20
11 percent, 30 percent, 40 percent levels that are
12 included in the Stipulation. Do you remember making
13 that statement?

14 A. I don't recall that.

15 Q. Do you believe that that statement is
16 true, that you do not expect to see -- that you do
17 not expect to see any more shopping -- any shopping
18 over and above the 20, 30, and 40 percent levels that
19 are included in the Stipulation?

20 A. Again, I think it's very possible, but
21 would be somewhat difficult. The higher the price,
22 the more difficult, obviously, for competitors, CRES
23 providers to come in and supply our customers.

24 Q. So just this particular statement, we

Page 26

1 should see no more shopping than the 20 percent,
2 30 percent, 40 percent levels that are included in
3 the Stipulation, is that statement true?

4 A. That's a statement that has been applied
5 to Brian Tierney, and perhaps, you know, that's his
6 hope, but it's modified by "we should." It doesn't
7 say "we are not." It says "we should."

8 Q. Right. So it's AEP's expectation that
9 shopping would be limited to the percentages in the
10 Stipulation, correct?

11 A. That would be our hope, but as market
12 prices, energy prices come down, which they are now
13 because of gas pricing, there should be more
14 shopping.

15 Q. So if market prices -- does AEP Ohio
16 expect market prices to come down further over the
17 next three years?

18 A. I haven't forecasted market prices. I'm
19 just basing that on what I see today in that gas
20 prices were clearing below \$4.

21 Q. Do you expect there will be a larger
22 spread between market pricing and the standard
23 service offer pricing over the next three years?

24 A. I don't have an opinion on that.

Page 27

1 Q. Does AEP Ohio's FRR election prevent CRES
2 priors from electing to provide capacity to new
3 customers at the time they sign up for those new
4 customers?

5 A. In order for a CRES provider to supply a
6 customer with the CRES capacity, they would have had
7 to have elected that at the prior auctions.

8 Q. So if a CRES provider today wants to sign
9 up a new customer, when would that CRES provider have
10 to have elected to supply capacity for that customer?

11 A. Whenever the auction was for today, which
12 would have been three years ago.

13 Q. So would that have been spring of 2008?

14 A. That would have been in, right, spring of
15 2008.

16 Q. So a CRES provider -- that would have
17 been prior to the effective date of Senate Bill 221,
18 correct?

19 A. That's my understanding.

20 Q. Is there any way for a CRES provider
21 signing up a customer today that did not make that
22 election back in the spring of 2008 to provide
23 capacity to a customer?

24 A. I don't know the answer to that question.

Page 28

1 I suspect that we could all go to the FERC, change
2 the contract, change the tariffs, if PJM would allow
3 that. Anything could be changed.

4 Q. I'm asking under existing tariffs.

5 A. My understanding is no.

6 Q. Under existing tariffs, does AEP Ohio
7 have the option of allowing the CRES provider to
8 supply its own capacity even if it has not given the
9 three-year notice?

10 A. I don't know the answer to that question.

11 Q. A slightly different question. Do you
12 know whether AEP Ohio would allow a CRES provider to
13 self-supply for a new customer today even if it had
14 not given the three-year notice?

15 MR. NOURSE: Objection. Are you asking
16 if it were permissible what would AEP's decision be?

17 MR. LANG: I'm asking if AEP Ohio would
18 permit it today. That assumes that it's not barred
19 by existing tariffs.

20 A. My recommendation would be no.

21 Q. The \$255 per megawatt-day figure in the
22 Stipulation for capacity pricing, is that number
23 based on cost?

24 A. That number is based on somewhat of an

7 (Pages 25 to 28)

Page 29

1 arbitrary figure. Probably -- I can't speak for the
2 other negotiators, but for us it was fairly close to
3 a net cost number.

4 Q. And by "net cost," what do you mean?

5 A. Taking the numbers that Kelly has and
6 netting them against the margin for the sale of
7 energy.

8 Q. So that calculation to get to that net
9 number, how was that calculation done?

10 A. I wouldn't describe it as a calculation.
11 It's much more of an arbitrary negotiated number.

12 Q. Well, you referred to a -- perhaps it
13 wasn't a calculation, an estimate that got you to
14 that net number. What were the elements of the net?

15 MR. NOURSE: I object. If you're getting
16 into settlement and what different parties considered
17 to judge the number that's in the settlement, that's
18 not relevant or admissible.

19 MR. LANG: I'm asking how AEP calculated
20 the number, and he said that AEP calculated -- used
21 some approach to calculate that number.

22 MR. NOURSE: I disagree. He said it was
23 close to that kind of number.

24 Q. Okay. So how do you calculate the number

Page 30

1 it is close to?

2 A. Take your costs and assume you are
3 selling some energy and you look at the margin and
4 come up with a range of numbers and then you
5 negotiate numbers. Sometimes you win. Sometimes you
6 lose.

7 Q. So that net number, you're starting with
8 a cost number and then your offsetting would be your
9 full capacity and energy sales?

10 A. No.

11 Q. What would it be?

12 A. Just some margin from selling energy on
13 the market.

14 Q. Is it an estimate of all the energy that
15 you're selling from those particular generating
16 units?

17 A. No.

18 Q. What is it?

19 A. It's one megawatt sold into the market.

20 Q. What do you mean by one megawatt sold
21 into market?

22 A. You are selling capacity at a certain
23 price. There is energy sold into the market, the PJM
24 market. You have to decide what the margin is and

Page 31

1 net that margin against the capacity number.

2 Q. The Stipulation, am I correct in
3 describing the Stipulation as including a state
4 compensation mechanism after May 31, 2015 that is
5 based on the RPM market price?

6 A. That's not my understanding.

7 Q. What is your understanding of what the
8 Stipulation provides with regard to the pricing of
9 capacity after May 31, 2015?

10 A. That AEP Ohio generation would be bid
11 into the RPM market.

12 Q. Okay. So in that case will there be no
13 further sales of capacity from AEP to CRES providers?

14 A. I can't say that that wouldn't happen.

15 There is always an opportunity for a bilateral
16 contract to another utility or another wholesale
17 provider.

18 Q. A bilateral contract, would that be with
19 the new AEP generation company to which the
20 generating assets are contemplated to be transferred?

21 A. I would think so.

22 Q. Does the Stipulation prevent AEP Ohio
23 from making another FRR election in the future?

24 A. I don't believe it does preclude us from

Page 32

1 doing that.

2 Q. Do you believe that the PJM RPM provides
3 a transparent capacity price?

4 A. I believe it's transparent. I'm not sure
5 I believe it's a capacity price.

6 Q. Well, do you believe that RPM produces a
7 market-based capacity price?

8 A. No.

9 Q. Why not?

10 A. Because nobody would build on it. It's
11 just an arbitrary event that people are using to
12 their advantage.

13 Q. Is it your position that since the
14 formation of the PJM capacity market that no new
15 generation has been built into PJM?

16 A. I have no knowledge of the entire PJM
17 market.

18 Q. Do you have knowledge of any generation
19 being built into PJM since 2007?

20 A. My knowledge is that there has been
21 issues in New Jersey and Maryland where the states
22 are concerned about the RPM pricing and has tried to
23 set up rules to get around those pricing problems,
24 very similar but in an opposite direction of what we

8 (Pages 29 to 32)

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1 see as a problem with the market, the RPM markets.

2 Q. The question I asked you is whether you
3 have any knowledge of new generation being built in
4 PJM region since 2007.

5 A. Obviously, we built the Dresden plant,
6 but the Dresden plant is a regulated plant. That's
7 basically the limit of my knowledge.

8 Q. So you're not aware of any other new
9 generation being built in the PJM region other than
10 Dresden since 2007?

11 A. I'm not aware of any generation built in
12 PJM West as an unregulated generator in the last
13 couple of years.

14 Q. By using that qualifier, does that mean
15 you're aware of new generation in PJM East?

16 A. No, I'm not aware of PJM East at all.

17 Q. What was the basis for PJM approving
18 AEP's FRR plan?

19 A. Well, I think part of the basis was that
20 the staff and the Commission applauded PJM for
21 allowing that to happen.

22 Q. That's part of the basis; there was input
23 from parties. But what was the basis for PJM
24 approving the FRR plan?

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1 A. Well, obviously, they agreed with our
2 arguments that we had enough capacity to serve our
3 load on a cost-based method, and they felt
4 comfortable with that.

5 Q. Is an FRR plan beneficial to retail
6 customers of AEP Ohio?

7 A. Absolutely.

8 Q. How is that the case?

9 A. Because it provides long-term certainty
10 in a very uncertain market. Just look at the RPM
11 prices and how they've swung.

12 Q. So that over the time period that there
13 has been an RPM price, the long-term certainty that
14 you describe would establish a cost-based price that
15 is higher than any RPM price, correct?

16 MR. NOURSE: Objection. For what time
17 period are you talking about?

18 Q. For the entire time period there has been
19 an RPM price.

20 A. Well, yes and no because the capacity
21 prices have been -- embedded costs are higher than
22 the RPM price, but the energy values are the
23 opposite, so I'm not sure if a customer is better off
24 at market.

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1 Q. In terms of providing stability of
2 capacity pricing, it's fair to say that if AEP Ohio
3 had priced its capacity based on full embedded costs,
4 that capacity price would be higher than the RPM
5 price for all years that RPM has been in existence,
6 correct?

7 A. Once again, our embedded costs of
8 capacity are higher than RPM price, the variable
9 costs of energy.

10 Q. That's not the question.

11 A. Again, I can't say. I can only go back
12 to 2009. That's all I can recall, and the energy
13 prices have been much higher than our variable costs.

14 Q. Do you know how much of the AEP Ohio load
15 falls under the grandfathered existing shopping in
16 the Stipulation?

17 A. No, I do not. I think -- I will tell you
18 all I remember is -- recall is there was about a
19 7 percent number that was on the staff website, but I
20 don't know.

21 Q. What does the PJM tariff require of
22 owners that are shutting down generation units?

23 A. The only requirement that I'm aware of is
24 that we have to notify -- ask permission from PJM to

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1 retire a unit, as well as the market monitor.

2 Q. If retiring a unit would harm
3 reliability, are you aware of what remedies PJM would
4 have?

5 A. I'm familiar only in general with the
6 "must run" unit status. I am probably more familiar
7 with the Texas rules than the PJM rules at this
8 point.

9 Q. Are you familiar with the PJM rules,
10 particularly the PJM remedies, related to retiring
11 units that could impact reliability?

12 A. No.

13 Q. Under the pool agreements are off-system
14 sales margins allocated based on member load ratio?

15 A. Yes.

16 Q. Why is that?

17 A. Because that's what the pool agreement
18 says.

19 Q. Do you know why it's set up that way? Do
20 you know why the pool agreement was designed that
21 way?

22 A. The pool agreement was written in 1950,
23 and despite claims that I was around at that time,
24 that's not true.

9 (Pages 33 to 36)

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1 Q. On this one I'm actually not expecting
2 you to have firsthand knowledge.

3 A. Okay.

4 Q. I'm wondering if you have secondhand
5 knowledge of that.

6 A. Well, the MLR under the Holding Company
7 Act, there were a number of allocators, and one could
8 just reach in and grab one of the allocators that
9 were approved by the SEC, and the writers of the
10 documents chose the MLR. That's probably a fair
11 allocator.

12 Q. Do you know whether the bulk of the sales
13 are on-peak or off-peak?

14 A. That I do not know.

15 Q. Are there also off-system energy
16 purchases that are made through the pool?

17 A. There are purchases made through the
18 pool. It is not a common event.

19 Q. Do you know whether those are typically
20 on-peak or off-peak?

21 A. No, I do not.

22 Q. Do you know whether sales and purchases
23 are netted before allocating to the member load
24 ratio?

Page 38

1 A. Yes. It's really the margin that is
2 allocated on an MLR basis.

3 Q. What is the Interim Allowance Agreement?

4 A. The Interim Allowance Agreement was set
5 up after AEP Ohio built the Gavin scrubber, and under
6 the former Clean Air Acts, there were bonus
7 allowances, and then there were allowances associated
8 with that scrubber itself.

9 So the other companies that are members
10 of the pool thought it would be fair to allocate
11 SO2 allowances from the Gavin scrubber because that
12 was the only scrubber on the East system at the time.
13 And the pool mechanism is very proscriptive in its
14 accounting and didn't allow for those allowances to
15 get through, so people were paying for the scrubber
16 but weren't getting the benefit of the scrubber.
17 That's basically what it does.

18 Q. So those allowances, those are emissions
19 allowances?

20 A. Correct. Those are SO2 allowances.

21 Q. Under the existing Interim Allowance
22 Agreement, is that agreement solely focused on the
23 allocation of the emission allowances from Gavin?

24 A. No. My understanding is that now that

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1 there are other scrubbers, obviously, and other
2 allowances that were given or received, it allocates
3 those allowances amongst the companies.

4 Q. And which operating company owns Gavin?

5 A. Ohio Power Company.

6 Q. And is it Ohio Power Company that is
7 entitled to the emission allowances?

8 A. The allowances themselves go to the unit,
9 so yes, as an owner they're --

10 Q. So they go to the owner of the unit?

11 A. Right.

12 Q. Is Ohio Power the 100 percent owner of
13 the unit?

14 A. Yes.

15 Q. And then through the Interim Allowance
16 Agreement, other members of the pool have a right to
17 receive a portion of those allowances. Is that how
18 it works?

19 A. That's my understanding.

20 Q. Is one aspect of pool termination that's
21 contemplated in the Stipulation, is one aspect of
22 that dealing with the Interim Allowance Agreement?

23 A. Yes.

24 Q. Will the Interim Allowance Agreement have

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1 to be -- will the allocation of those allowances have
2 to be renegotiated with the other pool members?

3 A. To the extent that there is value there,
4 yes, it would have to be, but my understanding is
5 that those vintage allowances are of a minor value.

6 Q. Do you know generally what "minor" means?

7 A. No, sorry.

8 Q. Are there any pool members, other than
9 Columbus Southern and Ohio Power, that have expressed
10 an interest in changing the allocation percentages
11 that are currently in the Interim Allowance
12 Agreement?

13 A. No. The Interim Allowance Agreement has
14 not been the controversial part of the
15 interconnection agreements.

16 Q. That compels me to ask what happened to
17 the controversial parts?

18 A. Well, some of the questions that have
19 been asked by the member states: Why is there a
20 short position in some of the states and others have
21 long positions? How did that occur? What happens if
22 Ohio was to mandate customer choice? How does that
23 affect the pool?

24 Q. Anything else?

10 (Pages 37 to 40)

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1 A. Those, in general, are the issues that
2 have arisen.

3 Q. The standard service offer generation
4 rates that are in the Stipulation, are those standard
5 service offer rates both cost -- are both the energy
6 and capacity components of those rates cost-based?

7 MR. NOURSE: ~~That's not~~ It goes beyond
8 the scope of his testimony.

9 You can answer it.

10 Q. If you know.

11 A. I don't know. I mean, to the extent we
12 have a fuel clause and we're passing through our
13 actual costs, then I would say they're cost-based.

14 Q. Yes. I'm asking about the base
15 generation rate, so the nonfuel portion. Are you
16 familiar that the 2012 rate that is the base
17 generation rate agreed to in Stipulation is
18 .0245 kilowatt-hours?

19 A. I have to check the number. .0254.

20 Q. Do you know what portion of that rate
21 that's in the Stipulation is capacity and what
22 portion is energy?

23 MR. LANG: Again, objection, the scope of
24 his testimony.

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1 You can answer if you know.

2 A. It's an annual automatic increase of a
3 bypassable base generation rate. That's all it is.

4 Q. So in your understanding it's the rate
5 that is established in the Stipulation. It doesn't
6 have an underlying cost basis, like an underlying
7 capacity cost number.

8 A. My understanding is Ohio is no longer a
9 cost-of-service state.

10 Q. In the Stipulation there's a relationship
11 between corporate separation and pool termination and
12 the auction schedule for 2015. Can you explain for
13 me what your understanding is of how the auction is
14 contingent on corporate separation to the extent that
15 it is?

16 MR. NOURSE: Can I just clarify? When
17 you say the auction for 2015, you are talking about
18 the delivery period of the auction?

19 MR. LANG: Correct. Correct.

20 Q. So it would really be the auction for
21 delivery of energy starting June 1, 2015.

22 A. That's a pretty wide open question, but
23 I'll try to narrow it a little bit. It is my opinion
24 that the pool does not allow AEP Ohio to auction off

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1 its retail load.

2 Q. The Stipulation, page 16 and 17 of the
3 Stipulation, it provides for an auction process.
4 It's referred to as the 2015/2016 auction plan. If
5 corporate separation is not achieved prior to these
6 auction dates, will the auctions still go forward?

7 A. Yes. My understanding is that if ~~that~~
8 corporate separation is not completed, that there
9 would be some auctions, limited auctions.

10 Q. If corporate separation is not completed
11 by January 1, 2015, would there still be -- would AEP
12 Ohio still hold the auctions to obtain 100 percent of
13 the standard service offer supply starting June 1,
14 2015?

15 A. Well, I can read the document, you know.
16 "If completion of full legal corporate separation and
17 dissolution or amendment of the Pool is not completed
18 prior to the second scheduled auction (i.e., before
19 September of 2014), the Signatory Parties recommend
20 that the Commission will automatically open an
21 inquiry in this docket as to whether AEP Ohio has
22 diligently pursued fulfillment of milestones."

23 Later on it says, "If the Commission
24 finds AEP failed to fulfill its obligation," not

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1 completed -- the separation is not completed prior to
2 the second auction, December 1, "AEP Ohio will
3 nevertheless conduct a second auction for the next 20
4 tranches of the 2015-2016 auction in December 2014."
5 I believe that answers your question.

6 Q. So the answer is that the auctions would
7 go forward.

8 A. Correct.

9 Q. There's a reference at the end of that
10 sentence you were reading to the -- actually to the
11 then remaining 60 tranches in April of 2015. Would
12 that auction also go forward if corporate separation
13 had not been achieved by December 2014?

14 MR. NOURSE: Can I clarify? Are you
15 asking if it hasn't achieved because of no FERC
16 decision or FERC has denied?

17 MR. LANG: That's a good clarification.

18 Q. The assumption is there are still
19 proceedings pending at FERC, so FERC has taken no
20 action.

21 A. The Commission reviews the diligence of
22 AEP Ohio. If the Commission opens up an
23 investigation and finding, then I guess conditions
24 could change.

11 (Pages 41 to 44)

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1 Q. But as provided in the Stipulation, the
2 Stipulation provides for AEP Ohio to initiate two
3 proceedings at FERC related to corporate separation
4 and pool termination correct?

5 A. Correct.

6 Q. And the plan as laid out in the
7 Stipulation is that those proceedings would be
8 completed around February 2013, correct?

9 A. Correct.

10 Q. If those proceedings are not concluded
11 during that time frame, if they drag on into 2015,
12 under the Stipulation the competitive bidding
13 auctions still go forward, correct?

14 A. I would say depending again on what the
15 PUCO or FERC would rule.

16 Q. Well, you said depending on what the FERC
17 would rule. In my hypothetical we're assuming there
18 is no FERC determination for corporate separation or
19 pool termination by 2015. The language in the
20 Stipulation is while you're waiting for that
21 determination, AEP will hold the auctions, correct?

22 MR. NOURSE: I object. I object. Again,
23 you're mixing two different time periods. I thought
24 your hypothetical related to January 2015, which is

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1 not addressed by the Stipulation. So I think that's
2 what he said.

3 Q. Can you answer my question?

4 A. I don't think, as he said, the
5 Stipulation doesn't address that after 2015.

6 Q. Up to what date does the Stipulation
7 address?

8 A. It says the pool -- if corporate
9 separation or termination or amendment of the pool is
10 not completed prior to scheduled first auction of
11 December 1, 2013, AEP Ohio will conduct their auction
12 for the first 20 tranches December 2013.

13 Q. If there is no decision from FERC, the
14 first auction of the first 20 tranches would be
15 conducted December of 2013; is that right?

16 A. That's my understanding.

17 Q. And then if there's still no decision
18 from FERC, the second auction for the next 20
19 tranches would be conducted in December 2014.

20 A. I don't know where you're seeing that.

21 Q. The very end of the provision, three
22 lines above paragraph U.

23 A. What's the question again? Right.
24 That's right.

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1 Q. The Stipulation refers to an auction of
2 the remaining 60 tranches in April of 2015. Is it
3 your understanding that that auction would go forward
4 if there is still no determination from FERC?

5 A. And if the Ohio Commission found that AEP
6 Ohio failed to fulfill its obligation.

~~7 Q. I'm looking at the language that says --~~

8 to your reference, if the Commission finds that AEP
9 Ohio failed to fulfill its obligation under this
10 paragraph, or if for any reason whatsoever, full
11 legal corporate separation or dissolution or
12 amendment of the Pool is not completed prior to
13 December 1, 2014, then you have the second auction on
14 December 2014 and the third auction --

15 A. In April 2015.

16 Q. -- in April 2015.

17 A. Correct.

18 Q. It's possible that the Public Utilities
19 Commission and FERC would approve corporate
20 separation expeditiously, say over the next year and
21 a half, but that the pool termination proceeding
22 could extend longer?

23 A. I don't want to claim a legal conclusion
24 here, but the last time we applied to FERC for legal

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1 separation and for pool termination, they
2 consolidated the cases, and I think that would be not
3 only somewhat what FERC would want, but many of the
4 parties would want.

5 Q. Okay.

6 A. So in my mind, one comes with the other.

7 Q. Thank you for that. My question probably
8 wasn't very exact. Your expectation based on prior
9 experiences that those two proceedings would probably
10 be put on the same track.

11 A. Correct.

12 Q. AEP Ohio requires approval of the Public
13 Utilities Commission of Ohio to transfer its
14 generating assets as part of corporate separation,
15 correct?

16 A. Correct.

17 Q. As part of the Stipulation, as
18 supplemented by your testimony, including your
19 supplemental testimony from yesterday, is AEP asking
20 the Commission to approve the sale of AEP Ohio's
21 existing generating assets through this Stipulation?
22 Let me ask that.

23 A. Well, my understanding, it's asking the
24 PUCO to transfer -- approval to transfer the assets

12 (Pages 45 to 48)

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1 and that there would be a separate, more detailed
2 filing with the PUCO. So approve the transfer,
3 corporate separation under this agreement, would get
4 the other filing, and the Stipulation.

5 Q. So the legal requirement the Commission
6 approve transfer of generating assets, if the
7 Commission approves this Stipulation, then the
8 Commission will be providing that approval of
9 transferring generation assets that's required by
10 Ohio law. Is that what AEP is asking them to do as
11 part of approving the Stipulation?

12 A. I'm sorry, could you ask that again?

13 Q. Let me say it again. I'm trying to
14 understand to the extent -- because there is that
15 legal requirement that the Commission has to approve
16 the transfer, by approving the Stipulation, does that
17 satisfy that legal requirement, or is that next
18 proceeding that you reference where the Commission is
19 going to issue that approval?

20 MR. NOURSE: You know, if you're asking
21 him if something satisfies the legal requirement, he
22 can give his understanding but it's not giving a
23 legal conclusion.

24 MR. LANG: I'm asking what AEP Ohio is

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1 asking the Commission to do.

2 A. Once again, I'll read from the testimony.
3 That separate compliance application, the second
4 application, would be initiated prior to the decision
5 to adopt the Stipulation and would either be resolved
6 coincident with the adoption of Stipulation, shortly
7 thereafter, providing that the subsequent approval of
8 structural corporate separation is included in the
9 decision adopting the situation.

10 Q. So is the answer it's based on what you
11 filed? It's not clear.

12 A. It's clear to me.

13 Q. So how is it clear? Will the Commission
14 approve -- will the Commission in this case, assuming
15 the Commission approves the Stipulation, approve the
16 transfer of generating assets?

17 A. I believe that, you know, the language is
18 the language. Provided substantive approval of
19 structural corporate separation, which includes the
20 transfer of assets, is included in the decision
21 adopting the Stipulation. So that the intent here is
22 to say the Stipulation approves the corporate
23 separation transfer of assets, details to follow in
24 the other application.

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1 Q. Okay. There's a reference in your
2 testimony filed yesterday to an AEP Genco. I know
3 there's an existing entity called AEP Generating
4 Company. Are these two different animals?

5 A. Yes. At this time the phrase AEP
6 Generating Affiliate and AEP Genco is just a generic
7 name.

8 Q. Is it contemplated there would be any
9 relationship between the new AEP Genco and the AEP
10 Generating Company?

11 A. We haven't made any decisions about that.

12 Q. In Mr. Allen's testimony, you reference
13 in your testimony, he has an exhibit that lists the
14 generating units that are owned by Columbus Southern
15 and Ohio Power. It's Exhibit WAA-1. Are all of the
16 units listed on this page the units that are going to
17 be transferred to AEP Genco as part of corporate
18 separation?

19 A. Subject to check, it looks like that's
20 the intent of this exhibit.

21 Q. There's a footnote for Darby and
22 Lawrenceburg. It says those were acquired by AEP
23 Generating Co. Do you know whether those are
24 currently owned by AEP Generating Co. or whether they

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1 are owned by Columbus Southern?

2 A. They're owned by AEP Generating Company.
3 There is a contract for capacity and energy to
4 Columbus Southern.

5 MR. NOURSE: Just for the record, AEP
6 Generating Company is different from AEP Genco we
7 referred to a few minutes ago.

8 MR. LANG: Right.

9 Q. With Darby and Lawrenceburg being owned
10 by AEP Generating Company, would they not be part of
11 the corporate separation?

12 A. Well, the contract is from AEP Generating
13 Company to CSP. That contract would be transferred
14 to the new entity.

15 Q. Okay. So the contract is transferred,
16 not the plants themselves.

17 A. Correct.

18 Q. Is the contract solely with Columbus
19 Southern, or is it with all pool members?

20 A. Well, the contract is with Columbus
21 Southern.

22 Q. Do you know whether there are AEP Ohio
23 generating units that would be transferred as part of
24 the corporate separation that are not listed on

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1 Exhibit WAA-1?

2 A. If I understood your question, these are
3 the existing generating units. You're asking if
4 there are others?

5 Q. Is there anything else that might be
6 transferred that's not on this page, any generating
7 units?

8 A. No, not that I'm aware of.

9 Q. The generating units that are shown as
10 being owned by Columbus Southern, the first part, are
11 any of those generating units partially owned by any
12 other pool member?

13 A. No.

14 Q. Same question for the Ohio Power units
15 listed below.

16 A. Yes.

17 Q. Which ones?

18 A. Amos 3 is a joint-owned unit between
19 Appalachian Power Company and Ohio Power Company. I
20 believe that's it.

21 Q. Is the corporate separation plan now
22 fixed that all of these generating units will be
23 transferred to the new AEP Genco, or could one or
24 more of these units be transferred some other place,

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1 for example, to another member of the AEP pool?

2 A. Those decisions have not been finalized,
3 and there are a number of possibilities that could
4 occur.

5 Q. Okay. So what you filed yesterday saying
6 that all generating units would be transferred to AEP
7 Genco, is it fair to say that's the plan but the plan
8 could change?

9 A. What I'm saying, I would think that
10 that's the plan in the first step. Obviously, the
11 first step is to remove the generation from what you
12 would call an EDU.

13 Q. And to remove the generation from the
14 EDU, we discussed about requiring approval from the
15 Public Utilities Commission of Ohio. Are there other
16 regulatory entities that you also require preapproval
17 from to accomplish that?

18 A. My understanding is that you need FERC
19 approval to transfer the assets, and then because the
20 two cases are combined, corporate separation and the
21 Interconnection Agreement, then, obviously, the other
22 states and stakeholders would also be involved.

23 Q. Do you require approval from any other
24 state or federal agency or commission other than FERC

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1 and the Public Utilities Commission of Ohio to
2 transfer these assets?

3 MR. NOURSE: Again, he can give his lay
4 opinion. This is not going to be a legal opinion.

5 THE WITNESS: You took my license away.

6 A. My understanding, and I'm not an
7 attorney, the FERC and the PUCO would approve the
8 transfer of the assets. The fact that the two cases
9 again are combined, we're going to need approval of
10 the other member states to effect the pool change.

11 Q. Okay. Before we talk about that,
12 generally I wanted to ask you, you referred to the
13 Amos plant as being partly owned by Appalachian
14 Power.

15 A. Correct.

16 Q. Does Appalachian Power have to obtain
17 approval from its state commission for Amos to be
18 transferred to the AEP Genco?

19 MR. NOURSE: Same objection.

20 If you know.

21 Q. If you know.

22 A. Again, my lay opinion we wouldn't have to
23 have that approval for the transfer, but certainly
24 because it affects the pool, there's where we would

Page 56

1 need some approval.

2 Q. Have you been involved in planning
3 sessions where AEP Ohio as started to plan the filing
4 its needs to make for corporate separation and pool
5 termination?

6 A. Yes.

7 Q. And as part of those sessions, filings
8 only with the Public Utilities Commission and FERC
9 been discussed; is that correct?

10 MR. NOURSE: Again, I have to object.
11 You know, with regard to private meetings, directed
12 by attorneys and figuring out what filings are
13 required, I would object and stay away from that.

14 If he knows the answer, he's providing
15 the answer to his best knowledge today as he sits
16 here.

17 A. I would say right now that the meetings
18 have been so preliminary that I can't be very
19 specific to any detail.

20 Q. Okay. That's fair. Under the existing
21 pool agreement, do any of the pool members -- there's
22 five pool members, is that correct, in AEP's pool?

23 A. There are five pool members currently in
24 the AEP pool.

14 (Pages 53 to 56)

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1 Q. There's Columbus Southern. There's Ohio
2 Power. There's Appalachian Power. That's correct so
3 far?

4 A. Yes.

5 Q. And then the two remaining are Kentucky
6 Power?

7 A. That's one of them.

8 Q. And Indiana Michigan Power?

9 A. Correct.

10 Q. Got all five. Does Appalachian Power,
11 Kentucky Power, or Indiana Michigan Power under the
12 pool agreement have a right to purchase any of the
13 AEP Ohio generating units?

14 A. Not specifically stated in the pool.

15 Q. Do you know whether if any of those three
16 members of the pool have asserted a right to purchase
17 the AEP Ohio generating units?

18 A. No, I'm not aware of that.

19 Q. Is it your understanding that the Turning
20 Point solar project will only go forward, be
21 developed, if the Public Utilities Commission of Ohio
22 approves a nonbypassable charge for cost recovery?

23 MR. NOURSE: Object to the scope of his
24 testimony.

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1 MR. LANG: It's part of the corporate
2 separation testimony.

3 A. Yes.

4 Q. Part of the Turning Point project is that
5 AEP Ohio will make a \$20 million equity investment in
6 that development. Is that your understanding?

7 A. I have no specific knowledge of that
8 contract.

9 Q. Do you have any specific knowledge with
10 regard to AEP Ohio's commitment to make a \$20 million
11 investment in the Turning Point project or a similar
12 project?

13 A. I have no specific knowledge of the
14 Turning Point contract.

15 Q. Well, do you have any understanding, any
16 knowledge, of whether the Public Utilities Commission
17 of Ohio has required AEP Ohio to make a \$20 million
18 equity investment in Turning Point or a similar
19 project?

20 MR. NOURSE: Again, I object to this.
21 It's beyond the scope of his testimony.

22 If you know the answer.

23 A. I have not followed that process.

24 Q. Okay. The transfer of AEP Ohio

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1 generating assets, you provide in your supplemental
2 testimony that that's -- the intention would be that
3 they would be transferred at net book value; is that
4 correct?

5 A. Correct.

6 Q. And you also request a waiver of a rule,
7 4901: 1-37-09 (C) (4). Do you know what the purpose
8 is of that waiver?

9 A. I was advised by counsel to put that in
10 because there's some language around market value
11 versus book value in the statute. That's the limit
12 of my knowledge.

13 Q. Okay. Is the net book at which the
14 plants would be transferred the same kind of net book
15 that is described in Mr. Pearce's testimony as the
16 total rate base of the generating units?

17 A. No. What I'm speaking of is the
18 accounting books, and the net book meaning the gross
19 plants minus depreciated value plus all of the
20 materials, supplies, coal inventories, things like
21 that.

22 Q. Do you have any understanding how this
23 net book value compares to the market value of
24 plants?

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1 A. No.

2 Q. Do you know whether the net book value
3 exceeds the market value of the plants?

4 A. No, I do not.

5 Q. If the net book value does exceed the
6 market value, would AEP Ohio be recovering stranded
7 costs of those plants?

8 MR. NOURSE: Would you read the question
9 again?

10 (Record read.)

11 A. I don't understand how they could, but
12 I'm sure you'll ask more questions about it.

13 Q. No; just wanted to see if you had an
14 answer. After the full corporate separation that's
15 contemplated in the Stipulation, what will AEP
16 Ohio -- well, after the full corporate separation,
17 would AEP Ohio be the remaining electric distribution
18 utility?

19 A. We haven't made that decision.

20 Q. Well, what would AEP Ohio look like after
21 full corporate separation?

22 A. We haven't made that decision. I'm not
23 sure. I can't answer that question.

24 Q. What are the decisions that need to be

15 (Pages 57 to 60)

Page 61

1 made in the FERC proceeding involving corporate
2 separation in order to get to the end of the
3 proceeding where you have approval of corporate
4 separation?

5 A. I'm sorry, I didn't hear the question in
6 there.

7 Q. What has to be done in the FERC
8 proceeding to get to the end point, which is approval
9 of corporate separation?

10 A. Well, obviously, that's a pretty lengthy
11 process, and my understanding is -- and, again, it's
12 very limited at this point in time because we're
13 still looking at that -- we would obviously come up
14 with a structure, a corporate structure, request
15 specific assets to be transferred, explain how the
16 new company, new companies, would be financed, and
17 then provide -- then that would be -- my
18 understanding it would be a 203 filing, a 205 filing
19 surrounding the rates and tariffs that may or may not
20 change, and that would be more surrounding the pool
21 effects of what we do in connection with that.

22 Q. Is one of the issues that has to be
23 decided in those proceedings if the entity or
24 entities to which each of the generating units is

Page 62

1 transferred?

2 A. I would assume, yes.

3 Q. And as I think we mentioned earlier, one
4 of the options is that one or more of the units could
5 be transferred to one of the other AEP East member
6 companies.

7 A. That is an option.

8 Q. Is one of the options that one or more of
9 the generating units can be transferred to an entity
10 that is an entity outside of the AEP corporate
11 framework?

12 A. That's an option. I don't know if it's
13 being considered --

14 Q. Okay. Is that still -- that's something
15 that still has to be addressed in the FERC
16 proceeding?

17 MR. NOURSE: -- I'm sorry. To be clear,
18 are you asking whether -- earlier he referenced step
19 one. I don't know if you are asking what are the
20 outcomes for the end game, if you will?

21 MR. LANG: I think he referenced step one
22 transfer to AEP Genco, but I'm exploring if step one
23 has more possibilities than simply a transfer to AEP
24 Genco.

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1 Q. Isn't that right?

2 A. That's a possibility. I'm not aware of
3 any.

4 Q. The various stakeholders that participate
5 in the FERC proceeding, is it fair to say they will
6 have an input on how and where those generating units
7 are transferred?

8 A. Yes.

9 Q. Can you give me a general description of
10 the different types or categories of stakeholders you
11 anticipate participating in this process?

12 A. Well, we will obviously invite the states
13 to participate, the states that are affected by the
14 pool change, and we will also engage our wholesale
15 customers to ensure there's no transfer of costs
16 there, that they're not being disadvantaged by all of
17 this, and then FERC normally allows intervention by
18 other stakeholders, such as yourselves.

19 Q. You mentioned first the states. Which
20 states are going to have an interest? I'm sure Ohio
21 will. What other states would you expect?

22 A. Again, you correctly named all of the
23 companies. They follow the states, Virginia, West
24 Virginia, Kentucky, Indiana, Michigan.

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1 Q. Are you familiar with the PJM

2 Transmission Owners Advisory Committee?

3 A. I'm familiar that there is a committee.

4 Q. Would you anticipate that that committee
5 would be one of the stakeholders in this process?

6 A. No, I would not.

7 Q. Are there ancillary services contracts,
8 such as fuel contracts, coal supply contracts,
9 natural gas contracts that are with -- well, let me
10 just ask that. Are there those types of contracts
11 that are going to have to be dealt with to some
12 extent or another a part of the FERC proceeding?

13 A. I would think that they would be
14 recognized in the proceeding as part of the transfer.

15 Q. The coal contracts, natural gas supply
16 contracts, are they typically with AEP East or with a
17 member or a specific unit; do you know?

18 A. They are with a specific company,
19 operating companies.

20 Q. So for the units owned by Ohio Power, for
21 example, would all of Ohio Power's ancillary -- would
22 all the ancillary agreements related to an Ohio Power
23 unit be with Ohio Power?

24 A. I would think so.

16 (Pages 61 to 64)

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1 Q. Is the same true of transportation
2 contracts?

3 A. That I don't know.

4 Q. You talked earlier about the ancillary
5 agreement dealing with emission credits. Does that
6 agreement cover all of the emission credits that are
7 generated by the AEP plants?

8 A. All of the SO₂, at this time all of the
9 SO₂ allowances.

10 Q. There are other non-SO₂ allowances. Are
11 those also allocated to the pool members?

12 A. No. Those are specific to the operating
13 companies, like the NO_x allowance.

14 Q. With corporate separation do you
15 anticipate that any of the non-AEP Ohio pool members
16 will have a claim to those emission allowances?

17 A. That is yet to be seen.

18 Q. So at this point you don't know one way
19 or the other?

20 A. Correct.

21 Q. Is termination of the pool agreement a
22 necessary condition for AEP Ohio to achieve full
23 corporate separation?

24 MR. NOURSE: Can I have the question

Page 67

1 think that's the simplest one.

2 Q. Is one possible outcome that the pool is
3 not terminated but it's modified to remove Columbus
4 Southern and Ohio Power and substitute in their place
5 the new AEP Genco?

6 A. No.

7 ~~Q. I think you said one of the alternatives~~
8 is that the pool is not terminated but is modified
9 simply to remove Columbus Southern and Ohio Power.

10 A. That is one modification.

11 Q. What other modification is possible?

12 A. Well, I mean, they would be removed and
13 then we could modify some of the other terms of the
14 pool because, as we talked before, it doesn't
15 allocate Nox emissions and SO₂ emissions without Ohio
16 Power, so modifications of the terms and conditions
17 of the pool.

18 Q. So that would require negotiation of
19 terms with the remaining members of the pool?

20 A. Correct.

21 Q. And is negotiation of those terms and
22 agreement of those members, does that have to be done
23 prior to obtaining FERC approval of, in that case,
24 modification of the pool?

Page 66

1 again?

2 (Record read.)

3 MR. NOURSE: A running objection on legal
4 opinions, but he can address his understanding.

5 Q. It is always to the extent you know.

6 A. When you say "termination," we use the
7 term termination or modification.

8 Q. To be clear, I wanted it to be specific
9 I'm just asking about termination.

10 A. Well, under the provisions of the pool,
11 there is one provision that allows for a three-year
12 termination. We have exercised that right because we
13 believe a termination or modification is necessary.
14 The Stipulation, in my mind or in my opinion,
15 requires AEP Ohio to be out of the pool. That
16 doesn't necessarily mean the pool is terminated.

17 Q. Okay. What provision of the pool
18 agreement requires AEP Ohio to be out of the pool?

19 A. Well, in this first instance there's a
20 number of them. In the first instance would be the
21 MLR. You mentioned in the MLR is the retail load.
22 If I auctioned off my retail load, AEP has no MLR.
23 So in your example how could I have allocated
24 off-system sales to AEP Ohio if there's zero MLR? I

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1 A. My opinion, again, just my opinion, as we
2 go through this process we will obviously try to
3 settle the issues before the FERC. There are options
4 before the FERC. They may establish a settlement
5 judge who he or she will try to foster a settlement.

6 If one can't be reached, then there would
7 be a hearing. But, obviously, there are states. We
8 have great relationships with our states, and we will
9 do everything we can to make sure that everyone is
10 satisfied with the outcomes.

11 Q. You had mentioned a previous involvement
12 in a FERC proceeding. Was that a previous FERC
13 proceeding involving corporate separation?

14 A. Correct.

15 Q. Generally who was involved in that
16 proceeding?

17 A. That was too broad of a statement.

18 Q. Who were the parties?

19 A. The parties were -- it was actually an
20 attempt after Texas and Ohio were going towards
21 deregulation, so it was all -- really all of the
22 operating companies of AEP.

23 Q. Okay. Was there a resolution of that
24 proceeding?

17 (Pages 65 to 68)

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1 A. It was approved by the FERC and not
2 approved by the SEC.

3 Q. And the FERC proceeding itself, how long
4 did the FERC proceeding take from filing to FERC
5 decision?

6 A. I don't recall.

7 Q. In that proceeding did you also have all
8 of the interested states that intervened in the FERC
9 proceeding?

10 A. I don't recall. When I say I don't
11 recall, I mean, generally it took a couple years, but
12 I don't know when we filed versus when there was an
13 order.

14 Q. Generally you think it was --

15 A. A couple-year process.

16 Q. Two years, give or take?

17 A. Right.

18 Q. Is termination of the pool agreement a
19 requirement for AEP Ohio to conduct an auction of its
20 SSO supply?

21 A. In my opinion it is.

22 Q. Why is that?

23 A. Because, again, if the load is auctioned
24 off, there is no MLR, and so really the rules of the

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1 pool, the formulas pretty much collapse on their own.
2 In addition, all of the sales made from those units
3 would be considered wholesale sales, so that all of
4 the other members of the pool would have a claim on
5 really what used to be retail sales, now wholesale
6 sales, and all of Ohio Power's funds would be
7 transferred to other companies.

8 Q. So Ohio Power and Columbus Southern
9 would -- is there anything preventing Ohio Power and
10 Columbus Southern from bidding into that auction?

11 A. Well, again, if there was a third-party
12 auction, there would be nothing precluding them from
13 doing that.

14 Q. Okay. If there's an auction conducted,
15 if it's an auction for the AEP Ohio standard service
16 offer load, is there something that would prevent the
17 AEP Ohio generation function of AEP Ohio from bidding
18 into that auction?

19 A. I believe that the intent, if not the
20 language, of the pool precludes that. For instance,
21 we know that the auction, that AEP companies can only
22 receive up to 75 percent of the auction. So, once
23 again, there would be a transfer, a tremendous
24 transfer of value amongst these operating companies,

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1 and, again, not the intent of the pool. FERC has
2 ruled many, many times the pool is very proscriptive.
3 There's nowhere in here that says you can auction off
4 your load unless you can find it.

5 Q. Is there any language -- and I see you
6 have the Interconnection Agreement in front of you.

7 Can you point me to language in the agreement, the
8 pool agreement, that would prevent the Columbus
9 Southern and Ohio Power load from being bid into that
10 auction?

11 A. Well, all types of transaction with
12 foreign companies.

13 Q. If I can stop you, if you can tell me
14 where you are?

15 A. Page 16.

16 Q. And what is the section number?

17 A. Page 16.

18 Q. So are we in section 7.1, above that?

19 A. 7.1. "All other types of transactions
20 carried out by any member or on behalf of the members
21 with any foreign company shall be considered any
22 transaction made on behalf of collective interests of
23 the members."

24 So basically the pool didn't --

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1 obviously, in 1950, one, there was never a
2 distinction between the sale of capacity and energy.
3 It was power, and it's rife throughout all this.
4 There's no thought in 1950 there would be an auction
5 off of the load and sale of generation or separation
6 of generation, separation of the load from the
7 generation.

8 So it's just, again, my opinion. Would
9 it stand up in the Supreme Court? Perhaps you're
10 good enough to do that. I don't know.

11 Q. The sentence that you referenced about
12 the sales, sale of power to -- what was the word? A
13 foreign company, is foreign company under this
14 agreement a nonmember company?

15 A. Nonmember, right.

16 Q. So your reading of what the impact of
17 this language is, is that the AEP Ohio load being bid
18 into this auction would be considered to be a bid to
19 a foreign company and, therefore, made on behalf of
20 all of the AEP Ohio members which would result in all
21 of the AEP Ohio members getting the benefits of the
22 transaction. Is that correct?

23 A. Well, I think the point is that the pool
24 is meant to be a single entity, and no one member

18 (Pages 69 to 72)

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1 should be allowed or is allowed to do something
2 outside of the terms and conditions of the pool.
3 That may or may not benefit them, but it certainly
4 affects the other companies. That was my point.

5 Q. It certainly allows sales -- I guess
6 off-system sales, sales outside of the pool.

7 A. It certainly does.

8 Q. It allows sales of both energy outside of
9 the pool and capacity outside the pool.

10 A. It certainly does. But, again, if you
11 look at those sales, those are minor pieces of the
12 broader retail loads that are included in the pool
13 and the generation that's included in the pool. The
14 pool allows for wholesale sales above the retail
15 levels. That's the intent.

16 Q. Is there a provision from the pool
17 agreement that has a specified retail load for Ohio
18 Power or Columbus Southern? I expect back then
19 Columbus & Southern. Yes.

20 A. No, it doesn't specify specific loads
21 because, as you know, loads go up and loads go down.
22 It specifies the calculations, formulas. It's very
23 formulaic on how the pool operates.

24 MR. LANG: Off the record.

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1 (Recess taken.)

2 Q. Mr. Munczinski, I want to take you back
3 to earlier when we were taking about pages 16 and 17
4 of the Stipulation and the schedule on the auctions
5 that may occur even if applications for corporate
6 separation and/or pool modification or termination
7 are still pending. I want to tie this into what we
8 were just discussing before the break.

9 Towards the bottom of page 16, it refers
10 to "AEP Ohio will conduct an auction for the first 20
11 tranches of the 2015-2016 auction in the December of
12 2013," and that is, if you don't have completion of
13 corporate separation, modification of the pool by
14 December 1, this auction will occur in December 2013.

15 In the situation described here in the
16 Stipulation, will AEP Ohio be able to bid its
17 generating assets, its load, into this auction?

18 A. Well, I don't know what they're going to
19 bid because let's say it's December 13, 2013. What
20 do I know about June 1, 2015? Do I have a retail
21 load? Do I have no retail load? Do I have corporate
22 separation? Do I have termination of the pool? I
23 don't know what they will do. We have to wait until
24 that time to figure it out.

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1 Q. Look, let's address that a couple
2 different ways. Are there any provisions in the pool
3 agreement that would prevent AEP from bidding in this
4 December 2013 auction?

5 A. Well, if the pool agreement is in place
6 and the pool agreement has a company's capacity

7 generating its retail load and that retail load starts
8 to gets auctioned off, what does that company do, bid
9 for its own retail load? I'm asking you a question
10 now.

11 Q. You are.

12 A. I'm not allowed, I guess.

13 Q. So what was the answer to my question?

14 A. The answer is you are in an area that
15 would have to be decided at that point in time.
16 Obviously, we would be limited, constrained. It
17 would be an unfair -- there would be no level playing
18 field with the other providers of generation, so, you
19 know, it would be what it would be at that time.

20 Q. So it's kind -- I want to split it up
21 into, you know, can it be done? Is it possible to be
22 done? And the next step is, would it be done?

23 So, can it be done?

24 A. Again, my opinion is that the members of

Page 76

1 the pool can bid into an auction. The members of the
2 pool cannot auction off their load under the current
3 agreement.

4 Q. Okay.

5 A. But, again --

6 Q. So if the pool is still in place, the
7 requirement to hold this auction in December 2013,
8 partial auction if the pool is still in place, is it
9 your opinion that that auction would violate the
10 terms of the pool agreement?

11 A. Well, the auction would be for '15 and
12 '16, so that decision at that point would have to be
13 are we close enough or have some assurance all of
14 this is going to be unwound and there's just going to
15 be a transfer of assets so we could almost estimate
16 what we could auction.

17 The agreement obviously calls for the
18 auction to continue. We are in a very difficult
19 space for AEP, and perhaps even for FERC and PUCO. I
20 don't know. Well, yes, the auctions will continue
21 and perhaps AEP just doesn't bid.

22 Q. Okay. You had mentioned in the previous
23 proceeding at the FERC that AEP was involved that
24 included AEP East and West, that in that proceeding

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1 you obtained FERC approval but not SEC approval. Do
2 you have any reason to believe there's SEC approval
3 that would be required for this process?

4 A. My understanding is no because the Public
5 Utility Holding Act has been repealed.

6 Q. Okay. There might actually be a simple
7 answer to that, so thank you.

8 A. And we didn't even charge you.

9 Q. Assuming corporate separation and pool
10 termination are achieved along the time line in the
11 Stipulation so everything goes right, the auction for
12 2015 and 2016, is it your understanding that all of
13 the AEP Genco load would be bid into that auction?

14 A. Well, you've confused -- the question is
15 very confusing to me. I don't know, AEP Genco
16 doesn't have a load. Remember, we're asking for the
17 transfer of generation outside of AEP Ohio, and then
18 the remaining wires would be to the EDU. Now, is the
19 question is the load of the EDU auctioned off?

20 Q. I think I did ask that question probably.
21 Thanks. I'll accept your point.

22 What does happen with that load once --
23 what happens with the energy and capacity once it's
24 been transferred, once the assets have transferred to

Page 78

1 AEP Genco?

2 A. So the assets are transferred to the
3 generating company. Those assets are then bid into
4 the RPM capacity auction, and the EDU auctions off
5 its load. So it's a very similar -- my
6 understanding, it's very similar to your client's,
7 FirstEnergy, model.

8 Q. The capacity being bid into the RPM, do
9 you know whether AEP Ohio -- it wouldn't be AEP Ohio
10 anymore. Do you know whether the Genco is required
11 under PJM rules to bid all of its capacity into that
12 RPM auction?

13 A. I'm not aware. I'm not familiar with
14 those rules. We'll get up to speed on them.

15 Q. Do you know whether in addition to
16 bidding capacity into the RPM auction, the Genco
17 would also have the option of selling that capacity
18 through bilateral agreements?

19 A. My understanding -- I'm sorry. My
20 understanding is there's an option to have bilateral
21 contracts.

22 Q. All right. Following corporate
23 separation, what are the -- what's your understanding
24 with regard to the GRR assets that will continue to

Page 79

1 be owned by AEP Ohio as the distribution company?

2 A. Hearing no objection --

3 MR. NOURSE: If you understand the
4 question.

5 A. Can I have the question again?

6 Q. There's a reference in the testimony to
7 the GRR assets. Do you have any understanding what
8 the GRR assets are?

9 A. Yes, I do.

10 Q. Sitting here today, there are no GRR
11 assets, correct?

12 A. Correct.

13 Q. So for an asset to become a GRR asset,
14 that is a generating asset that is approved by the
15 Commission under Ohio law for nonbypassable cost
16 recovery?

17 A. Correct.

18 Q. What is your understanding following
19 corporate separation of what happens with those --
20 with the GRR assets to the extent the Commission does
21 approve any of it?

22 A. That those dedicated resources shall be
23 bid into the PJM energy capacity markets in
24 accordance with PJM tariff, shall be financially

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1 sound to assure the customers receive the agreed-upon
2 energy capacity, renewable energy credits determined
3 by the Commission. The manner in which these
4 dedicated resources shall be included in the auction
5 shall be developed in the stakeholder process.

6 I can help. I think I answered the
7 question in front of the Commission the other day.
8 There are two options. One is the auction, and then
9 take that off of the -- you bid into the PJM markets
10 to take that off of the auction, or as you sort of
11 bid the whole -- auction off all the load and
12 basically there's just a financial settlement for the
13 capacity and energy that's bid into the PJM markets.

14 Q. And under the second option then,
15 capacity and energy are not bid into the PJM markets?

16 A. They would be. They would be. The
17 financial transaction, almost you're bidding it, and
18 whatever the credits or costs are, are netted and the
19 customer either pays or gets a credit.

20 Q. Okay. Does AEP Ohio have a time line for
21 the development of the Turning Point project?

22 A. I'm not aware of the Turning Point
23 project, sorry, other than it would be in the GRR and
24 look like Muskingum River 6.

20 (Pages 77 to 80)

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1 Q. So you don't know, for example, it's an
2 AEP goal to have Turning Point start to produce power
3 in 2013?

4 A. I can honestly say I have no knowledge of
5 any of the terms, conditions, contracts, values of
6 the Turning Point contract. I just know it's a solar
7 facility somewhere in Ohio, and it's 49.9 megawatts,
8 and hopefully it will be part of the GRR.

9 Q. Well, you know some terms.

10 A. Okay.

11 Q. 49.9 megawatts.

12 A. I think.

13 Q. That's right, I think. What is referred
14 to into the Stipulation as MR6 or Muskingum River 6
15 plant, same question, whether you have knowledge of
16 the time line of that plant development?

17 A. Actually, I don't believe -- I don't. I
18 don't. I don't believe there is a time line. I may
19 be mistaken. I have no knowledge of that either.

20 Q. Do you know whether a decision -- AEP
21 Ohio has made the decision to go forward with the
22 Muskingum River 6 plant?

23 A. I have no knowledge of that. I would
24 expect they're waiting for the Stipulation to be

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1 approved by the Commission before they do anything,
2 would seem to be prudent.

3 Q. Do you know whether development of
4 Turning Point or development of the Muskingum River 6
5 project, for either or both of those to go forward,
6 requires the Public Utilities Commission of Ohio
7 approval of corporate separation?

8 A. Well, aren't they both dependent on the
9 Stipulation being approved? So as we requested --
10 again, remember, we talked about this before. If the
11 Stipulation gets approved, the Commission is
12 approving corporate separation, along with the other
13 application out there and approving the GRR, not
14 approving necessarily -- as an empty bucket.

15 Q. We previously referenced Exhibit
16 WAA-1 listing current generating assets. Are there
17 generating units on that list that AEP Ohio intends
18 to retire in the near term?

19 A. I believe there are.

20 Q. Do you know which ones?

21 A. Not a full list. That can be provided.
22 There's public information around that. For
23 instance, Muskingum River 5 is there, so depending on
24 what happens with the GRR. Beckjord is planned.

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1 Q. Will the announced plant retirements have
2 an impact on the rights and obligations of the pool
3 members?

4 A. I'm sorry, repeat that question.

5 Q. Will retirement of plants have an impact
6 on the rights or obligations of the members of the
7 pool?

8 A. Well, the retirement affects the other
9 members of the pool, and, you know, I'm not a lawyer
10 so I don't know what rights the other pool members
11 have to the other members' generation. Again, it's a
12 formula. If I retire a unit, if I retire it
13 proportionately, meaning if Appalachian, Indiana,
14 Kentucky all have retirements and they're
15 proportionate, it has absolutely no effect.

16 Q. If it's not proportional, if Ohio Power
17 retirements are larger than the other members, what
18 impact does that have?

19 A. Well, the impact would be that Ohio would
20 be less surplus so that it would lose capacity
21 credits. The system itself would be less surplus so
22 there could be an effect on off-system sales, and
23 then I would have to decide if those units dispatch
24 higher or lower than the average, so there would be a

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1 fuel affect on the other companies.

2 Q. You have a reference in your testimony
3 both to how the capacity is priced in the pool and
4 how energy is priced in the pool, and I think they're
5 both -- they're both cost-based; is that correct?

6 A. The entire pool is cost-based.

7 Q. So everything is cost-based?

8 A. Right.

9 Q. And in terms of a -- if there's a sale of
10 capacity from Ohio Power to Appalachian Power, how is
11 that capacity priced under the pool?

12 A. Are you saying under the current pool?

13 Q. Under the current pool.

14 A. Well, there's not a specific sale of
15 capacity. For instance, from Gavin plant to
16 Appalachian Power plant, everyone is required to pay
17 for their MLR share of the system, the system
18 capacity, versus their capacity, so really what the
19 pool does is allocate the reserve margin.

20 Q. Okay. So is Appalachian Power short?

21 A. Appalachian is both capacity and energy
22 short.

23 Q. So let's use that Appalachian Power as an
24 example. Essentially the reserve that's allocated to

21 (Pages 81 to 84)

Page 85

1 them because they're short of capacity, how does the
2 pool agreement determine what price they're paying
3 for that capacity?

4 A. Through the capacity equalization
5 payment, they would be paying the two surplus
6 companies' proportionate amount. So Ohio Power's
7 surplus and Indiana Michigan surplus, each of those
8 companies have an equalization charge based on a
9 cost-based formula. So APCo is really buying, paying
10 both of those in a weighted proportion, probably more
11 weighted towards Ohio Power.

12 Q. And is that so -- what Ohio Power
13 receives, is that based on Ohio Power's, I guess,
14 embedded cost of capacity?

15 A. Yes.

16 Q. Is the calculation of that embedded cost
17 for capacity in the pool the same calculation that
18 Mr. Pearce uses for embedded cost of capacity for
19 purposes of this proceeding?

20 A. I believe not. The pool works on a
21 carrying-cost methodology, and Mr. Pearce's formula
22 works on more of a revenue-requirement basis.

23 Q. So basing it on carrying costs, what
24 impact does that have compared to what Mr. Pearce is

Page 86

1 doing?

2 A. It's very similar. I mean, if Ohio has
3 like -- you know, I'm just guessing at some numbers,
4 probably pretty close. Maybe this pool has a \$400
5 per megawatt-day for Appalachian, Ohio Power, and
6 Mr. Pearce used 379 I believe, something like that.

7 Q. So as you describe it, the sale of
8 capacity is -- AEP does not sell capacity to other
9 members of the pool; it's done through -- what did
10 you call it, a reconciliation process?

11 A. It's basically a capacity equalization --

12 Q. Equalization.

13 A. -- process.

14 Q. And then the pool permits the members
15 that are short on capacity to purchase through that
16 equalization process, to purchase capacity through
17 the pool?

18 A. To pay for the capacity through the pool,
19 right.

20 Q. Is there anything in the AEP pool
21 agreement that precludes AEP Ohio from entering into
22 bilateral arrangements to purchase generation
23 capacity from nonaffiliated entities, from nonpool
24 members?

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1 A. The pool agreement allows for that.
2 There are some limitations. If it's counted as
3 capacity in the pool, I believe it has to be a
4 five-year contract.

5 Q. Is there a difference under the pool
6 agreement between how the cost of generation capacity
7 is allocated when it's owned by the AEP pool versus
8 allocation of the cost of capacity that's purchased
9 from outside of the pool?

10 A. Not if it's a long-term contract.

11 Q. How is it allocated under a long-term
12 contract?

13 A. For instance, we have a contract from AEG
14 to the Rockport plant, I&M, and those costs get
15 embedded into the cost structure of I&M, so when the
16 cost divided about the kilowatts, the surplus would
17 determine that rate.

18 Q. Can AEP Ohio under the pool agreement
19 purchase generation capacity from outside of the pool
20 without first obtaining authorization from other pool
21 members?

22 A. Well, there's an agent for the pool
23 members, which is the service corporation, so it
24 would have to be -- I mean, in my mind it would

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1 require at least notification of the other members.

2 There are operating committees that meet regularly to
3 determine these things.

4 Q. An actual purchase, if it is made, is
5 done by AEP Service Corporation?

6 A. Well, AEP Service Corporation is an agent
7 for the pool members.

8 Q. AEP Ohio currently owns or has under
9 contract sufficient generating capacity to supply all
10 the requirements of its existing customers, correct?

11 A. Correct.

12 Q. Does AEP Ohio use specific generating
13 units that it owns or controls to comply with its
14 capacity obligations?

15 A. Say that again, please.

16 Q. Does AEP Ohio use specific generating
17 units that it owns or controls to provide the
18 capacity needed to supply the requirements of its AEP
19 Ohio customers?

20 A. Well, AEP Ohio, on a capacity side AEP
21 Ohio has -- is surplus in the pool, meaning it has
22 more generating capacity than load, retail load, and
23 so we don't look at it as a particular unit as
24 supplying capacity for a particular customer group.

22 (Pages 85 to 88)

Page 89

1 It's all one big happy family.

2 We dispatch on a system basis. So the
3 system is dispatched on the East side, cheapest unit
4 runs first, and then all the way up the stack. Then
5 that gets allocated, cheapest units gets allocated on
6 the retail side. You have a unit running in Indiana
7 that's been priced into Ohio.

8 Q. Are all the AEP Ohio generating units
9 actually located in Ohio?

10 A. No.

11 Q. Do you know which ones are located
12 outside of Ohio?

13 A. Going down the list, obviously, from my
14 recollection, again I'm not older than -- maybe I am.
15 Lawrenceburg is in Indiana. The Amos plant is in
16 West Virginia. Mitchell 1 and 2 are in West
17 Virginia. Obviously the hydros are on the river,
18 probably on the Ohio side. I believe the deciding
19 point is in the middle of the river.

20 Q. It's actually the low water mark.

21 A. Somebody would know that in this room.

22 MR. NOURSE: Jim, would know that.

23 A. Basically, yes, there are many units
24 outside the state of Ohio.

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1 Q. If corporate separation is achieved, the
2 pool is terminated prior -- not all is achieved prior
3 to supply through the auction that starts June 2015,
4 during the time prior to when that auction supply
5 kicks in, what is the relationship going to be
6 between the distribution company that's remaining and
7 the AEP Genco that is contemplated now to hold the
8 generation?

9 A. We have corporate separation but it's not
10 June 1, 2015?

11 Q. Let's assume you got corporate
12 separation, pool termination prior to January 1,
13 2014. What's the relationship in 2014?

14 A. The Stipulation allows for sale of energy
15 and capacity into the EDU in that the customers would
16 see the exact same structure that they see today.
17 The fuel clause continues, and the capacity charges,
18 base rates would go over to the Genco.

19 Q. So the pricing in the Stipulation
20 continues. Would it have any impact on the FAC, the
21 fuel charge?

22 A. No. There would continue to be an FAC,
23 but only those same elements that were combined when
24 we were combined and now separated would get through

Page 91

1 that.

2 Q. So the fuel costs used prior to corporate
3 separation to calculate the FAC would be the same
4 fuel costs used to calculate it after corporate
5 separation?

6 A. Right. That's the intent.

7 Q. And then after corporate separation,
8 title -- the title to the generating units would be
9 in AEP Genco, correct?

10 A. Right.

11 Q. And then the right to the capacity from
12 those generating units would also be in AEP Genco, or
13 would that be retained by the distribution company?

14 A. The rights to the capacity would be with
15 the generating units.

16 Q. Under the pool agreement if there's
17 energy available at market-based rates, say through
18 PJM, and that energy available at market-based rates
19 is at a lower cost than the energy that's available
20 through the pool, is there anything in the pool
21 agreement that prevents members from purchasing that
22 lower cost energy from outside of the pool?

23 A. No. The pool agreement allows for market
24 purchases before you would run your incremental

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1 generation, if that's your question. If the market
2 is cheaper, you purchase off the market. But, again,
3 it gets spread into the whole East system. It
4 doesn't get dedicated to a particular -- so you would
5 run your generators up to a point. Where it is
6 cheaper to buy from the market, you buy from the
7 market, and you distribute the cost among the
8 companies per the formula.

9 Q. Is the service company making that
10 decision rather than Columbus Southern?

11 A. The service corporation is the agent, and
12 the operating companies, in the accounting sense,
13 have to do with the pool.

14 Q. In terms of making the decision there is
15 cheaper market-based energy available, that's the
16 service company?

17 A. Yes.

18 Q. Is the same true if there's less
19 expensive capacity available on the market?

20 A. Well, again, under our FRR contract, we
21 self-supply our capacity.

22 Q. I asked you about how capacity is priced
23 under the pool agreement. How is energy -- when
24 energy is sold within the pool, how is that priced?

23 (Pages 89 to 92)

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1 A. It's fuel plus one half maintenance. The
2 one half maintenance is determined to be a variable
3 cost, so it's fuel plus one half the variable cost of
4 maintenance.

5 Q. At page 17 of your testimony, lines 9
6 through 11, there's reference to the service
7 corporation both buying and selling into the
8 wholesale market. Is that the PJM wholesale market?

9 A. Yes. This is not clearly distinguished,
10 but this is the East pool so it is PJM. All the
11 companies are in PJM.

12 Q. How is the price of energy purchased or
13 sold by the service corporation determined?

14 A. Well, again, if it's purchased on behalf
15 of all the operating companies, it's getting into the
16 formulas we just talked about. So, you know, that
17 fuel plus variable O&M could be higher or lower. And
18 then the off-system sales are after the retail loads
19 are met, the remaining sales that would be made into
20 the PJM market known as off-system sales are
21 obviously going to third-party sales, and they are
22 then distributed amongst all the operating companies
23 on an MLR basis.

24 Q. Do you know whether those sales and

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1 purchases are to be done in the day-ahead market?

2 A. Typically.

3 Q. And do you know whether the pricing in
4 the day-ahead market is based on the incremental cost
5 of the energy being sold?

6 A. I'm not familiar with the markets, not
7 that familiar with the markets.

8 Q. Do you know whether it is based on AEP's
9 cost or just a market price?

10 A. What is it based on?

11 Q. The energy that's sold into PJM's
12 day-ahead market, is that based on AEP -- is that
13 price based on AEP's cost, or is it based on what the
14 market will bear?

15 A. It's on what the market will bear.

16 Q. Once the pool -- assuming the pool is
17 terminated instead of modified, the energy and
18 capacity transactions between the pool members will
19 end under the pool agreement. Does AEP yet have an
20 understanding of how the relationships between those
21 pool members would continue after termination of the
22 pool agreement?

23 A. No.

24 Q. Do you have an understanding of how

Page 95

1 energy and capacity -- energy or capacity -- would be
2 priced between the existing pool members following
3 termination of the pool agreement?

4 A. Well, if the pool agreement is
5 terminated, there's no relationship of price between
6 the pool members.

7 ~~Q. So at that point is that simply something~~
8 that is open for negotiation between the different
9 pool members?

10 A. Well, you know, I think that other
11 members of the pool, outside of the two Ohio
12 companies who are fully regulated and choose to not,
13 you know -- states who chose not to be at the whim of
14 the market will want some certainty and probably want
15 some smaller pool to rely on. We have very large
16 units so we tend to do very well in the pooling
17 agreement.

18 Q. And "we" meaning AEP Ohio?

19 A. "We" meaning AEP, until January 1, two
20 thousand and something.

21 Q. When you say "we tend to do very well in
22 a pooling agreement," does that mean -- are you
23 saying that Ohio and Columbus Southern Power are
24 benefiting from the pool agreement and other entities

Page 96

1 not so much?

2 A. No. What I'm saying is without the
3 pooling agreement, large 1,300-megawatt, the most
4 efficient units in the world, couldn't have been
5 built because one company with a 500-megawatt load
6 couldn't build a 1,300-megawatt plant. This is
7 something the market is taking away from the
8 customers.

9 Q. There's a provision in the Stipulation
10 about AEP potentially coming to the Commission in the
11 future to determine pool termination costs.

12 A. Correct.

13 Q. There's a \$50 million level. Is it your
14 understanding that if the costs are below
15 \$50 million, say they're \$49.9 million, then AEP in
16 the Stipulation is agreeing that it will not seek
17 cost recovery?

18 A. That's my understanding.

19 Q. Then if the costs are \$50 million or
20 more, then AEP, at its option under the Stipulation,
21 can come to the Public Utilities Commission of Ohio
22 to seek full cost recovery from dollar one?

23 A. That's my understanding.

24 Q. What are the categories of costs that are

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1 envisioned that could fit into this cost recovery
2 item?

3 A. Well, you know, the pool is very
4 proscriptive in the costs that get passed back and
5 forth between the companies. So we would envision
6 that once the agreement is terminated or modified,
7 there would be a ~~series of costs~~ that you could
8 compare to, say, a prior year costs on a net basis,
9 and those are the costs that we would apply for.

10 Q. So you're comparing costs -- is the issue
11 that you're going to have -- that Ohio Power, for
12 example, is going to have different revenues related
13 to its energy and capacity post termination as
14 opposed to pretermination?

15 A. Correct.

16 Q. How do you go about calculating that?

17 A. Well, we haven't determined that. There
18 was some reference to how that would work in one of
19 the witness's testimony in the original ESP case,
20 but, again, basically we would know what revenues and
21 costs were coming in versus what we were receiving,
22 so it's a net cost or net benefit. If there is any,
23 we would apply for the net cost.

24 Q. So under the current pool agreement, AEP

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1 Ohio receives compensation for its capacity and
2 energy on a cost-basis as determined under the pool
3 agreement, right?

4 A. Correct.

5 Q. Following termination, AEP Ohio will
6 receive compensation for its energy and capacity
7 based on PJM market pricing; is that correct?

8 A. Incorrect.

9 Q. Okay. Following pool termination, what's
10 your understanding how it would be compensated?

11 A. One would need to tell me when pool
12 termination occurs.

13 Q. All right.

14 A. Again, once the auction on June '15
15 occurs, it's at market for both.

16 Q. Let's assume we are back to our scenario.
17 We are in 2014. You had pool termination, haven't
18 gotten to the auction yet. Under 2014 the revenue is
19 from the -- is from the agreements between AEP Ohio
20 and the Genco; is that correct?

21 A. Right. Well, the Genco and the EDU.

22 Q. And the EDU. In that situation are you
23 comparing the -- I guess, what AEP entity are you
24 comparing the impact of pool termination? Are you

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1 looking at the EDU? Are you looking at the Genco?

2 A. Well, other than the requirement in the
3 pool that each member have its own transmission and
4 generation, which, again, I will not go into that
5 issue, I would see it as the Genco, the residual
6 generation, and the Genco is as a revenue stream and
7 a cost base without the pool. And in the ~~pool~~
8 a revenue and cost base. I would net those two, and
9 I would compare the two, and if it is over \$50
10 million, I would apply for, you know, the money to
11 the PUCO.

12 Obviously, you know, we haven't thought
13 about all of the ramifications of this, depending on
14 what the market and what the other states negotiate
15 through the pool and whatever happens.

16 Q. Have you run any estimates of what that
17 cost might be?

18 A. No. I'm not sure what you meant by what
19 costs. It is impossible to run an estimate of a
20 situation I don't know what would happen.

21 Q. Utility people do that all the time.

22 A. Just to clarify, there has been a filing,
23 I believe in Indiana, that showed a no pool about
24 three or four years ago -- a no-pool scenario. I

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1 guess when you say "did I run," I haven't run any.

2 Q. Okay.

3 A. Given the changing situation of this
4 Stipulation, I don't feel any of that is in response
5 to your question, but, you know, there has been a
6 filing in Indiana. It's public information.

7 Q. The notice to terminate pool, which was
8 done December 2010; is that correct?

9 A. Correct.

10 Q. And that notice was given by all five
11 members of the pool?

12 A. Correct.

13 Q. Does each member of the pool have the
14 option to revoke that notice prior to termination
15 being approved?

16 A. I believe they do.

17 Q. Is the decision to terminate the pool
18 still being reviewed, evaluated by AEP?

19 A. The decision to modify the pool will
20 continue to be evaluated by AEP. Again, my opinion
21 that the Stipulation requires eventually the removal
22 of AEP Ohio companies from the pool.

23 Q. Okay. I think that's something I want a
24 clarification on, was -- you know, given the language

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1 in the Stipulation, is it still a remaining option
2 for AEP next year to say, you know, We know we said
3 we would make an effort in doing this. We decided
4 this is not a good idea. We're not going to do it.

5 MR. NOURSE: Jim, I think you said AEP to
6 decide next year. Are you referring to AEP Ohio
7 there?

8 Q. Let me ask, is AEP generally making that
9 decision?

10 A. Well, the way I would answer that
11 question is that the Stipulation requires us to
12 modify the pool, file for corporate separation. The
13 pool in itself cannot remain intact with the
14 agreements in the Stipulation. So, obviously, we're
15 going to go forward, make every best effort to both
16 corporate separate and eliminate, I believe, AEP Ohio
17 from any pooling agreement. I said "any," but from
18 the existing pool agreement.

19 Q. To eliminate AEP Ohio from the existing
20 pool agreement, does that require agreements from the
21 other pool members?

22 A. Yes.

23 Q. Does reaching that consensus on removing
24 AEP Ohio from the pool also depend upon the claims of

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1 other stakeholders that are asserted in the FERC
2 proceeding?

3 A. I mean, the FERC will obviously pay
4 attention to the stakeholders and to the states, so
5 we will have to address all the concerns that are
6 legitimate.

7 Q. If one of the other members of the pool,
8 Appalachian Power, for example, if they do not reach
9 consensus with AEP Ohio with regard to pool
10 termination, will the result of that be that the
11 notice of termination is revoked and the pool will
12 remain in place?

13 A. I believe there's some language in the
14 agreement that I can look through. I don't know.

15 Q. Do you believe that the reasons for the
16 formation of the pool in 1951, the economic reasons
17 for the creation of the pool, that those reasons
18 still exist today?

19 A. No. I mean, the situations have changed
20 dramatically, obviously. I mean, the pool never even
21 mentions anything about production plant and hydro.
22 It doesn't say anything about wind or solar or
23 allowances or anything like that, no. That's why we
24 gave termination notice well before we even -- may

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1 have been not well before, but before we filed our
2 ESP.

3 Q. Are there circumstances under which AEP
4 Ohio could revoke its notice to terminate the pool?

5 A. Again, I'd have to have legal counsel on
6 the termination sections. It says, "Any member upon
7 ~~at least three years prior written notice to the~~
8 other members and agent may terminate this agreement
9 as the expiration of said initial period or at the
10 expiration of any successive period of one year."

11 Any member upon written notice, so any
12 member may terminate this agreement.

13 Q. With regard to -- is it your
14 understanding that until the notice is effective, any
15 member can revoke that notice, any member can change
16 its mind?

17 A. I believe that since each of the members
18 have given termination, even if one member revokes
19 termination, it seems to say that the pool is
20 terminated.

21 Q. Is there a specific provision of the
22 agreement that you're referencing in giving that
23 answer?

24 A. Yes.

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1 Q. And what is it?

2 A. Article 13, Section 13.2.

3 Q. Do you know if there is any other member
4 of the AEP pool that currently opposes termination?

5 A. No.

6 Q. Under the provisions of the Stipulation,
7 is leaving FRR and participating in the RPM capacity
8 auctions for the 2015-2016 year contingent on
9 approval of corporate separation?

10 A. I'm not sure the Stipulation addresses
11 that. The spirit of the Stipulation is that
12 corporate separation, pool modification would be done
13 prior to December 2013.

14 Q. So I asked you whether it is contingent
15 on corporate separation. Is going to the RPM auction
16 for capacity in 2015-2016 contingent on pool
17 termination? Would your answer be the same?

18 A. Yes.

19 Q. I've asked you several questions about
20 the FERC process, the Public Utilities Commission
21 process. Outside of that regulatory process in order
22 to achieve corporate separation, are there other
23 actions that will need to be taken behind the scenes,
24 you know, step by step, a process that you have to

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1 follow as a company in order to achieve separation?

2 A. Yes.

3 Q. Can you generally describe for me what
4 needs to be done?

5 A. Well, my understanding is that, you know,
6 given all the regulatory approvals that are required,
7 there would be financing requirements so that the
8 assets being removed from the -- into the AEP
9 generation Genco would have to be financed. They
10 would have a different risk level than the EDU
11 financings, so we have to take that into
12 consideration.

13 There are many codes of conduct that
14 would have to be established, perhaps duplicative
15 groups, duplicative dispatch groups, you know, that
16 type of group that has to follow the codes of conduct
17 of the state and the FERC.

18 Q. With regard to financing, do you need
19 approval of current bondholders in order to transfer
20 the assets?

21 A. Well, these are substantially call tests,
22 so depending upon the language in the bond itself,
23 there are call provisions. I haven't looked at these
24 bonds. I mean, I'm just going on memory from the

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1 last time.

2 Q. With regard to the financing and the
3 requirements that surround the financing, do you have
4 a plan in place yet as to how that's going to be
5 accomplished?

6 A. No, not that I'm aware of.

7 Q. Have you set out a time line yet for
8 dealing with the financing entities?

9 A. Not that I'm aware of.

10 Q. If following the negotiations in the FERC
11 proceeding, you do not have consensus of all the pool
12 members regarding the terms of either pool
13 termination or modification, would AEP Ohio under
14 that circumstance proceed on its own with a
15 unilateral termination of the pool?

16 A. The parties to the pool, all parties to
17 the pool, are still subject to the FERC jurisdiction.
18 So FERC will be the ultimate arbiter of the pool
19 agreement. And, you know, we're not going to take
20 three years to decide what to do. We will file with
21 the FERC, and once you file with the FERC, they're
22 going to set the schedule, and, then, you know, rule
23 on the terms and conditions.

24 Q. At page 20 of your testimony, the very

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1 top, lines 2 and 3, there's a sentence, "There may be
2 a need to rebalance the generation assets among the
3 members as part of terminating the pool." What is
4 that a reference to?

5 A. A reference to the idea that Appalachian
6 Power, for instance, just as an example, as both
7 capacity and energy short has been relying on the
8 other pool members to supply that capacity and
9 energy, and that they may or may not make a request
10 to either transfer asset or have contracts, bilateral
11 contracts, from one of the other members. Or even if
12 there's a three-company pool, there may be some
13 rebalancing of assets.

14 Q. Further down on that page, lines 10 and
15 11, you refer to "driving this process to conclusion
16 in a reasonable period of time." By "reasonable
17 period of time" is the expectation it's the schedule
18 attached to the Stipulation?

19 A. Yes.

20 Q. You say "without much doubt as to the end
21 goal." What is the doubt that's remaining as to the
22 end goal?

23 A. To my mind the end goal -- if the
24 Stipulation is approved as we signed it and made the

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1 commitments within the Stipulation, again, my opinion
2 is that AEP Ohio generation cannot remain as part of
3 the pool. That would be the end goal, meaning that
4 there could still be a pool amongst the other
5 companies.

6 Q. To your understanding, the Commission
7 approving the Stipulation as filed is equivalent to
8 the Commission directing AEP Ohio to go forward with
9 the provisions, including terminating or modifying
10 the pool so that AEP Ohio is removed from the pool.
11 Is that your understanding?

12 A. Yes. That is the commitment. The
13 commitment is to have corporate separation and remove
14 AEP Ohio from the current pool and get on with the
15 auctions and the market.

16 Q. In the time line for pool termination
17 that is attached to the decision, it refers to a
18 90-day period for stakeholder discussions. What's
19 the purpose of stakeholder discussions?

20 A. Well, the purpose would be that, you
21 know, we wouldn't want to do something without
22 notifying our other states. We still have regulatory
23 relationships, even here in Ohio, so that we would
24 make an attempt to gather the stakeholders.

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1 And we have been talking to the different
2 states. They obviously know of the termination
3 notice that's been made. We'd talk to them about
4 what we would like to see in the post pool world and
5 see if we can come up with something that everyone
6 can get their hands around.

7 Q: Do you have an understanding who ~~is~~
8 included in those stakeholder conditions? It
9 obviously starts with the pool members. You referred
10 to the states. Anyone else?

11 A. It would be mostly the states and the
12 major stakeholders in those states.

13 Q. The states, in that case is it
14 representatives of their utility commissions?

15 A. Well, we would deal with the staffs, in
16 the first instance. Each state usually has one
17 industrial intervenor, maybe a consumer counsel.
18 Obviously, other states don't have the CRES providers
19 and the marketers, so it becomes easier in those
20 states.

21 Q. So stakeholders in addition to the states
22 would be potential representatives of industrial
23 customers, correct?

24 A. Sure.

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1 Q. Potential representatives of large
2 commercial customers, correct?

3 A. Yeah, potential. But, again, there won't
4 be 60 people in the room every time we have a meeting
5 in the other states. It will be two or three.

6 Q. Just trying to understand how this works,
7 really, compared to, say, the process that led to
8 this Stipulation where you might -- that process at
9 one point you have -- you do have 60 people in the
10 room.

11 A. I will tell you it works well.

12 Q. That's good. But --

13 A. You can reconcile the differences in your
14 own mind.

15 Q. Are there times you have 60 people in a
16 room, or is this a state-to-state process?

17 A. In the beginning it would be state to
18 state. I would have people go around and speak to
19 the different stakeholders, discuss what needs to be
20 changed, modified, discuss their preferences. Do
21 they want to be more subject to the market or more
22 subject to steel on the ground? We have to talk to
23 our wholesale customers to give them comfort they are
24 not being disadvantaged by this.

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1 I'm sure the FERC -- once there's a
2 filing, the FERC will call all the parties and set it
3 for settlement conference, and in that room there
4 could be 60 people, just from Ohio.

5 Q. The schedule is the 205 filing, the first
6 filing with the PUCO. The next step is the period
7 dedicated to pre-stakeholder discussions. The third
8 step is the actual filing of the second 205
9 application FERC.

10 A. I'm sorry. Could I get that?

11 Q. You can look at that.

12 A. Okay.

13 Q. Is the filing of the section
14 205 application contingent in any way upon the
15 outcome of the pre-filing stakeholder discussions?

16 A. Well, that hasn't necessarily been
17 decided. My recommendation would be that we again do
18 both at the same time in the sense as we're there,
19 we're explaining why we need to change the pool,
20 modify, terminate, change; why we are filing at the
21 FERC this 203, 205; invite the stakeholders to join
22 in those procedures if they want to. The attempt
23 here is to get everything done at the same time.
24 There's no reason to have two separate trips.

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1 Q. So get it done at the same time. Does
2 that mean that you won't necessarily have discussions
3 and then filing; you would make the filing and then
4 follow with discussions? I'm trying to understand
5 that.

6 A. No. No. We have had discussions with
7 the states on the pool itself, and so we feel
8 comfortable going back and, again, having more
9 detailed discussions and then coming back with a
10 filing that represents their desires and then
11 inviting them to continue to be part of the process.

12 Q. Have you had any objections to this point
13 from states that simply want to continue the existing
14 pool arrangement?

15 A. I don't know. I haven't heard. I
16 haven't been at all the meetings. I haven't been in
17 any of the meetings. But no one is objecting to
18 changing the pool. The pool, again, is 1950 vintage
19 and needs to be revised for a number of reasons.

20 What we don't know now is what the effect
21 of the Stipulation in Ohio will be on the other
22 states, what their reaction will be. We'll get that
23 shortly.

24 Q. If I could ask you to turn to page 21 of

28 (Pages 109 to 112)

Page 113

1 your testimony.

2 A. The revised?

3 Q. The first version, the only one I've had
4 time to print out.

5 A. Okay.

6 Q. And you have two bullet points at the
7 bottom of the page. The first bullet point refers to
8 providing notice to PJM that AEP Ohio intends to
9 participate in the RPM-based residual auction in
10 years 2015-2016. Tell me what is meant by the word
11 "participate."

12 A. Again, the intent here is that the
13 remaining capacity of the generating company would be
14 auctioned into the RPM market.

15 Q. And you said the remaining capacity. You
16 qualified that with "remaining capacity," meaning
17 what.

18 A. Meaning, again, we talked about if there
19 is any transfer or rebalancing states or bilateral
20 contracts, things like that.

21 Q. Okay. So this would be the capacity that
22 would be transferred to the AEP Genco; is that right?

23 A. Correct.

24 Q. Okay. Once those generating assets are

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1 transferred to the new entity, the AEP Genco, do you
2 know whether, for purposes of PJM and the PJM market
3 monitor, those resources would be treated as existing
4 generation capacity resources or new generation
5 capacity resources?

6 A. I don't know the answer to that question.
7 I would assume they would be treated as existing.
8 They're existing.

9 Q. Do you know whether there have been any
10 communications between AEP and PJM or the market
11 monitor on that question?

12 A. I don't. But I'll put that on my list of
13 things to do.

14 Q. I apologize; I have several different
15 notes from several different people.

16 A. I noticed.

17 Q. I'm trying not to revisit the same
18 ground.

19 A. I'm honored to be so popular.

20 Q. You are. Just to clarify timing issues
21 related to the Stipulation, this is on page 21, the
22 first bullet point at the bottom. The notice to PJM
23 that AEP Ohio intends to participate in the RPM
24 auction starting in 2015, do you know what the

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1 deadline is under the PJM provisions for giving that
2 notice?

3 A. Quite honestly, I don't, because I'm told
4 there are two dates, so someone is wrong.

5 Q. What are the two dates you are hearing?

6 A. I'm hearing January and February.

7 Q. So somewhere around January or February
8 of 2012 --

9 A. Correct.

10 Q. -- is when that needs to be done?

11 A. That's what I'm told.

12 Q. Is your understanding.

13 A. There was one time I was given a March
14 date, so sometime between January and March. I have
15 no idea why it is so confusing, but knowing what I
16 know about PJM -- perhaps I should say no more.

17 Q. Providing that notice to PJM is
18 contingent upon getting an order from the Commission
19 authorizing the full legal corporate separation,
20 correct?

21 A. That's what this says.

22 Q. As we talked earlier, you're asking the
23 Commission to approve full legal separation as part
24 of approving the Stipulation?

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1 A. As well as the concurrent application
2 that we committed to.

3 Q. Yes. So that giving the notice early
4 next year is not contingent upon completing corporate
5 separation?

6 A. Oh, correct.

7 Q. Correct. And it is not contingent upon
8 completing full pool termination?

9 A. Correct.

10 Q. Those other processes will certainly be
11 continuing in the first quarter of 2012.

12 A. Correct.

13 MR. LANG: No one else on the phone has
14 questions, right?

15 MS. HAND: None here.

16 MR. FRANK: No questions.

17 MR. LANG: My examination is concluded,
18 and I think I've managed to get you out of here just
19 about the time we were hoping to get you out of here.

20 THE WITNESS: I appreciate that.

21 MR. LANG: Are you waiving signature or
22 reviewing?

23 MR. NOURSE: No, he'd like to review.

24 MR. LANG: That completes this

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deposition.

(The deposition concluded at 12:56 p.m.)

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CERTIFICATE

State of Ohio :

: SS:

County of Franklin :

I, Rosemary F. Anderson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Richard E. Munczinski was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 23rd day of September, 2011.

Rosemary F. Anderson,
Registered Professional Reporter,
and Notary Public in and for the
State of Ohio.

My commission expires April 5, 2014.

(RFA-8682-1)

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State of Ohio :

: SS:

County of _____ :

I, Richard E. Munczinski, do hereby certify that I have read the foregoing transcript of my deposition given on Thursday, September 22, 2011; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

Richard E. Munczinski

I do hereby certify that the foregoing transcript of the deposition of Richard E. Munczinski was submitted to the witness for reading and signing; that after he had stated to the undersigned Notary Public that he had read and examined his deposition, he signed the same in my presence on the _____ day of _____, 2011.

Notary Public

My commission expires _____, _____.

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :Case No. 10-2376-EL-UNC
Company and Columbus :
Southern Power Company for:
Authority to Merge and :
Related Approvals. :

In the Matter of the :
Application of Columbus :Case No. 11-346-EL-SSO
Southern Power Company :Case No. 11-348-EL-SSO
and Ohio Power Company for:
Authority to Establish a :
Standard Service Offer :
pursuant to Section :
4928.143, Revised Code, in:
the Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :Case No. 11-349-EL-AAM
Southern Power Company :Case No. 11-350-EL-AAM
and Ohio Power Company :
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :Case No. 10-343-EL-ATA
Southern Power Company to :
Amend its Emergency :
Curtailed Service :
Riders. :

In the Matter of the :
Application of Ohio :Case No. 10-344-EL-ATA
Power Company to Amend its:
Emergency Curtailment :
Service Riders. :

In the Matter of the :
Commission Review of :Case No. 10-2929-EL-UNC
the Capacity Charges of :
Ohio Power Company and :
Columbus Southern Power. :

APPEARANCES:

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On behalf of the Applicants.

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Cleveland, Ohio 44114

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Columbus, Ohio 43215-4288
Janine L. Migden-Ostrander

Ohio Consumers' Counsel
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Columbus, Ohio 43215-3485

On behalf of the Residential Ratepayers
of Columbus Southern Power Company and
Ohio Power Company.

Sonnenschein, Nath & Rosenthal, LLP
By Mr. Douglas G. Bonner (via telephone)
1301 K. Street NW, Suite 600 East Tower
Washington, DC 20005
On behalf of the Ormet, Inc.

1 In the Matter of the :
Application of Columbus :Case No. 11-4920-EL-RDR
2 Southern Power Company for:
3 Approval of a Mechanism to:
4 Recover Deferred Fuel :
5 Costs Ordered under :
6 Section 4928.144, Ohio :
7 Revised Code. :
8 In the Matter of the :
9 Application of Ohio :Case No. 11-4921-EL-RDR
10 Power Company for Approval:
11 of a Mechanism to Recover :
12 Deferred Fuel Costs :
13 Ordered under Section :
14 4928.144, Ohio Revised :
15 Code. :
16 ---
17 DEPOSITION
18 of Laura J. Thomas, taken before me, Rosemary F.
19 Anderson, a Notary Public in and for the State of
20 Ohio, at the offices of Porter, Wright, Morris &
21 Arthur, LLP, 41 South High Street, Columbus, Ohio, on
22 Thursday, September 22, 2011 at 1:40 p.m.
23 ---
24

ARMSTRONG & OKEY, INC.
222 East Town Street, Second Floor
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724
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EXHIBIT



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<p>1 LAURA J. THOMAS, 2 being first duly sworn, as hereinafter certified, 3 deposes and says as follows: 4 EXAMINATION 5 By Mr. Kutik: 6 Q. Please state your name for the record. 7 A. Laura J. Thomas. 8 Q. Ms. Thomas, did you file or did you have 9 filed three pieces of testimony in the ESP part of 10 this case? 11 A. Yes. I have direct testimony, 12 supplemental testimony, and then testimony in support 13 of the Stipulation. 14 Q. Do you have any corrections or additions 15 to make to the most recently filed testimony? 16 A. Not that I'm aware of. 17 Q. Did you play any role in the negotiation 18 of the Stipulation in this case? 19 A. No. 20 Q. Now, since your last deposition, have you 21 had any experience in developing bids for competitive 22 bidding processes to supply POLR load? 23 A. No. 24 Q. And since your last testimony in</p>	<p>1 Q. With respect to the retail administration 2 part of your competitive benchmark price calculation, 3 did you use any information to come up with that that 4 you had not used previously? 5 A. Yes. 6 Q. What else did you use? 7 A. The similar information as from the 8 transaction risk adder, explicitly incorporated the 9 information approved by the Commission for the AEP 10 companies previously. 11 Q. So these were the transaction risk adders 12 and retail administration charges that were part of 13 the ESP? 14 A. Part of the prior ESP. 15 Q. ESP 1? 16 A. Yes. 17 Q. The one that's currently on remand? 18 A. Certain elements are on remand, yes. 19 Q. Okay. For purposes of this calculation 20 of the competitive benchmark price, did you review 21 the results of any FirstEnergy company auctions? 22 A. Not recently. I have reviewed the 23 October and January auctions quite some time ago. 24 Q. Did the results of those auctions play</p>
Page 6	Page 8
<p>1 deposition, have you been assisted by anyone from 2 AEP's commercial group that may have been involved in 3 developing such bids? 4 A. Not that I'm aware of. 5 Q. Now, for your testimony in this case, and 6 particularly the part of that testimony that deals 7 with developing a competitive benchmark price, you 8 developed two items. One is a Transaction Risk Rider 9 and one is a Retail Administration Rider, among other 10 parts to that price, correct? 11 A. Yes. 12 Q. With respect to the Transaction Risk 13 Rider adder that is used in Exhibit LJT-2 in your 14 most recent testimony, did you use any data that you 15 had not used in preparing the transaction risk adder 16 in your previous testimony? 17 A. Yes. 18 Q. Okay. Can you tell me what additional 19 information you looked at? 20 A. As shown in my workpapers, it explicitly 21 shows the addition of the prior approved transaction 22 risk adder for AEP Ohio companies. 23 Q. Anything else? 24 A. No.</p>	<p>1 any role in your calculations for your testimony? 2 A. No. 3 Q. Is it your understanding, Ms. Thomas, 4 that the Stipulation, if approved, would embody a new 5 proposed ESP? 6 A. The new -- the ESP for 2012 to '14 is one 7 of the cases settled by the decision, yes. 8 Q. Okay. So would it be fair to say that 9 the Stipulation addresses all of the riders and 10 charges that may be included in the new ESP? 11 A. I would have to go back and look at the 12 language to recall exactly which riders are all 13 incorporated. 14 Q. Okay. Well, do you have the Stipulation 15 handy? 16 A. Yes. 17 Q. You have it in front of you now? 18 A. Yes. 19 Q. Would you refer to the Stipulation in 20 responding to my question, please? 21 A. The Stipulation addresses an MTR Rider, a 22 Load Factor Rider, a Generation Resource Rider, a 23 Fuel Adjustment Clause, Alternative Energy Rider, a 24 Green Power Portfolio Rider, Distribution Investment</p>

Page 9

1 Rider, an Enhanced Service Reliability Rider, Pool
2 Modification/Termination Rider, a Phase-in Recovery
3 Rider.

4 I believe there are a number of riders
5 that are mentioned as being no longer applicable, and
6 there are a number of provisions that relate to
7 various collaborative efforts ~~for future~~ filings and
8 whatever may come out of those.

9 Q. All of those things you just mentioned,
10 except for those things you said were no longer
11 applicable, they would all be part of the ESP,
12 correct?

13 A. That's my understanding, yes.

14 Q. Also part of the ESP would be a base
15 generation charge.

16 A. Yes.

17 Q. Also part of the ESP would be a set-aside
18 for a certain amount of capacity charges, correct?

19 A. Yes. There are provisions that address
20 how capacity will be handled.

21 Q. Okay. And that's all part of the ESP,
22 correct?

23 A. That's all part of the Stipulation.

24 Q. And would be part of the ESP as well.

Page 10

1 A. I believe so, but to the extent, you
2 know, it resolves -- some of these resolve other
3 cases, it would be incorporated into the ESP.

4 Q. Okay. Now, turning back to the
5 competitive benchmark prices that you calculated, did
6 you include -- I'll back up. According to your
7 Exhibit LJT-1 attached to your most recent testimony,
8 there are ten parts to that price calculation; fair
9 to say?

10 A. Yes.

11 Q. Are these the same parts that you used to
12 calculate the competitive benchmark price in your
13 previous testimony?

14 A. Yes.

15 Q. I realize they may be different numbers,
16 but the parts are the same?

17 A. Yes. They're the same ten components.

18 Q. Okay. With respect to the simple swap
19 numbers that you had, is it correct to say that you
20 used -- forward energy prices, or energy forward
21 prices, for July 7 through July 13?

22 A. Yes; for the five trading days contained
23 within that period.

24 Q. And is it correct to say that you used

Page 11

1 those days because those were the days that the staff
2 used in its analysis in their initial filed
3 testimony?

4 A. That was one of the reasons that we used
5 those dates, yes.

6 Q. Are there any other reasons?

7 A. Yes; just to avoid picking a day to
8 achieve a certain result.

9 Q. Have you looked at forward prices since
10 whatever trading day was closest to July 13?

11 A. I believe that I did look at those, yes.

12 Q. Okay. And what's the most recent date
13 that you looked at?

14 A. I don't recall the date that I looked at.

15 Q. Was it within the last week?

16 A. No.

17 Q. Was it before your testimony, this most
18 recent testimony, was filed?

19 A. Yes.

20 Q. And what was the relationship of the
21 prices that you looked at to the prices you've used
22 in your simple swap calculation here?

23 A. They were pretty close.

24 Q. And by "pretty close" you mean within a

Page 12

1 few dollars?

2 A. No. I think they were within a dollar,
3 plus or minus a dollar.

4 Q. So would it be fair to say that you
5 looked at forward prices within the week before your
6 testimony was filed?

7 A. I don't recall what week it was.

8 Q. Well, I'm not saying what week it was,
9 but you know when your testimony was filed, right?

10 A. Yes.

11 Q. And I'm trying to set a date and work
12 back from there. Was it within a week of that time?

13 A. I don't remember.

14 Q. Was it within a month?

15 A. Yes.

16 Q. Was it before the Stipulation was signed?

17 A. Yes.

18 Q. Return to page 9 of your most recent
19 testimony and specifically the two sentences on lines
20 1 through 3. It says, "Only the load
21 following/shaping adjustment losses and the
22 transaction risk adder will change based on changes
23 in the SS price. The remaining components are
24 independent and are not affected by the SS price."

3 (Pages 9 to 12)

Page 13

1 Did I read that correctly?

2 A. Yes.

3 Q. Are the remaining components affected by
4 either the total price or any of the other
5 components?

6 A. The transaction risk adder is a function
7 of all of the other components. The load following
8 and shaping will change based on the capacity and the
9 energy component. Losses will change based on the
10 swap. I believe those are the interrelationships
11 between what drives what.

12 Q. So as far as you know, you have given me
13 all of the relationships between the various
14 components of your competitive benchmark price?

15 A. Yes.

16 Q. Now, in Exhibit LJT-1 of your most recent
17 testimony, there are three sets of calculations.
18 Would that be fair to say?

19 A. Yes; based on three capacity costs.

20 Q. And you used a weighting of these
21 capacity costs for your market rate offer price test
22 in Exhibit LJT-2?

23 A. Yes.

24 Q. And the weighting that you used was to

Page 14

1 weight the capacity cost or the benchmark price using
2 the capacity cost of 255 per megawatt-day and the
3 competitive benchmark price using the RPM
4 capacity-based price correct?

5 A. Yes.

6 Q. And you weighted those based upon the RPM
7 set-aside figures or percentages that are set out in
8 the Stipulation, correct?

9 A. Yes.

10 Q. Why did you do that?

11 A. Those provisions that deal with the RPM
12 set-aside are the prices that CRES providers would
13 pay for capacity, use of the company's capacity, and,
14 therefore, those are the prices that would be the
15 components of the expected bid price.

16 Q. What is your basis for saying that the
17 RPM set-aside are the prices that a CRES provider
18 would pay for capacity?

19 A. My basis are the provisions of IV.b.1 and
20 3 that --

21 Q. This is of the Stipulation?

22 A. Of the Stipulation. That detail, these
23 are the capacity rates that will be charged to CRES
24 providers.

Page 15

1 Q. So the basis of your weighting with
2 respect to capacity prices you used for the MRO price
3 was the Stipulation.

4 A. Yes.

5 Q. Is there anything in the Stipulation, to
6 your knowledge, that says what the capacity prices
7 will be starting in June of 2012 if the ESP is not
8 implemented?

9 A. Not that I can recall.

10 Q. So would it be fair to say that the
11 Stipulation sets out the capacity prices that will be
12 implemented if the ESP is put into effect?

13 A. It lays out the capacity prices as to be
14 determined by -- in case 10-2929, which is then used
15 in terms of the MRO test in the ESP.

16 Q. Okay. Well, the ESP will have to be put
17 into effect for those prices to be used, correct?

18 A. The Stipulation would have to be
19 approved, yes.

20 Q. Okay. Now, your Exhibit LJT-2 sets out a
21 comparison of prices using for the competitive
22 benchmark price this weighted capacity price that
23 we've been talking about, correct?

24 A. I used the competitive benchmarks,

Page 16

1 weighting the competitive benchmarks based on those
2 two capacity prices.

3 Q. Okay. And so it's a combination of using
4 capacity as 255 and capacity of RPM, correct?

5 A. Yes; those are the two capacity prices.

6 Q. And you also in your testimony, do you
7 not, provide a comparison of what the MRO price and
8 ESP price would be if you used a competitive bid
9 price using capacity at 355 per megawatt-day,
10 correct?

11 A. I have statements in my testimony that
12 portray the result of that analysis, yes.

13 Q. Did you do a calculation of a comparison
14 of the MRO price and ESP using a competitive
15 benchmark price that uses capacity only at the RPM
16 price?

17 A. I believe I looked at that.

18 Q. Okay. Is that in any of your workpapers?

19 A. No. I did not use that in my testimony.

20 Q. Okay. Do you still have that
21 calculation?

22 A. No.

23 Q. So you got rid of that calculation?

24 A. I think I just plugged in a number and

4 (Pages 13 to 16)

Page 17	Page 19
<p>1 looked at it and didn't save it.</p> <p>2 Q. Why didn't you save it?</p> <p>3 A. Because I didn't need it for my analysis.</p> <p>4 Q. Why didn't you need it for your analysis?</p> <p>5 A. Because the analysis is based on the</p> <p>6 settlement, the Stipulation. This is the MRO test</p> <p>7 under the Stipulation.</p> <p>8 Q. Okay. You did an analysis based on</p> <p>9 355 as a capacity price, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And that's not part of the Stipulation,</p> <p>12 correct?</p> <p>13 A. It was for comparison purposes to my</p> <p>14 original purposes.</p> <p>15 Q. Okay. So wouldn't it also have been a</p> <p>16 useful comparison to look at what the competitive</p> <p>17 benchmark price would be using an RPM price for</p> <p>18 capacity?</p> <p>19 A. I didn't think it was necessary.</p> <p>20 Q. Did you not think it was necessary</p> <p>21 because using the RPM price value would show that the</p> <p>22 MRO was more beneficial than the ESP?</p> <p>23 A. No.</p> <p>24 Q. Do you remember what value difference</p>	<p>1 with the PJM peaks, so really just looking at the</p> <p>2 difference and a coincidence between those classes</p> <p>3 and the basis for the capacity rate.</p> <p>4 Q. Okay. So there was some allocation</p> <p>5 method done using peaks for each customer class?</p> <p>6 A. Yeah. It's not really an allocation but</p> <p>7 a ratioing based upon the diversity of classes</p> <p>8 relative to the peaks.</p> <p>9 Q. Okay. We will use your word, "ratioing."</p> <p>10 And was the ratioing the same for each of the three</p> <p>11 calculations or sets of calculations that are shown</p> <p>12 on LJT-1?</p> <p>13 A. Yes.</p> <p>14 Q. With respect to the capacity that was</p> <p>15 used to generate the ESP price, did that include</p> <p>16 losses?</p> <p>17 A. I'm not sure what you mean when you say</p> <p>18 "the capacity used to generate the ESP price."</p> <p>19 Q. Correct.</p> <p>20 A. I'm not sure what you mean by that.</p> <p>21 Q. Well, you show an ESP price on line 16 of</p> <p>22 your Exhibit LJT-2, correct?</p> <p>23 A. Line 16 shows the price benefit.</p> <p>24 Q. Line 15.</p>
Page 18	Page 20
<p>1 there was?</p> <p>2 A. I believe it was very close to zero for</p> <p>3 just this element, but the MRO versus the ESP needs</p> <p>4 to be looked at in the aggregate, so effectively a</p> <p>5 zero plus all of the other elements quantified by</p> <p>6 Mr. Allen and Mr. Hamrock.</p> <p>7 Q. But just with respect to the calculation</p> <p>8 of the type that you did on Exhibit LJT-2, is it your</p> <p>9 recollection that just using the RPM price to</p> <p>10 calculate your competitive benchmark price would have</p> <p>11 made the comparison between the ESP and the MRO price</p> <p>12 basically zero?</p> <p>13 A. That's my recollection, yes, just for</p> <p>14 this element.</p> <p>15 Q. I'm sorry, what does that mean, just for</p> <p>16 this element?</p> <p>17 A. Just for the price test and not for the</p> <p>18 determination in the aggregate.</p> <p>19 Q. Okay. Referring you to your exhibit</p> <p>20 LJT-1, how were the capacity prices for the different</p> <p>21 customer classes determined?</p> <p>22 A. The capacity varies by class. It was</p> <p>23 determined by looking at the relationship of the</p> <p>24 peaks of the various classes, how coincident are they</p>	<p>1 A. Line 15 is the price that was stipulated.</p> <p>2 Q. Okay. And my question to you is does</p> <p>3 that price include a capacity price that includes</p> <p>4 losses?</p> <p>5 MR. NOURSE: Objection.</p> <p>6 You can answer.</p> <p>7 A. Those prices were provided to me by</p> <p>8 Mr. Roush.</p> <p>9 Q. Do you know whether those include losses?</p> <p>10 A. I believe they do.</p> <p>11 Q. Do they include -- are they adjusted for</p> <p>12 scaling factors?</p> <p>13 A. These are the prices that would be</p> <p>14 applicable to the customer. The scaling factors are</p> <p>15 factors that are applied to the RPM rates.</p> <p>16 Q. Do they or do they not include scaling</p> <p>17 factors?</p> <p>18 A. They would include the types of elements</p> <p>19 that the scaling factors represent.</p> <p>20 Q. So the answer would be yes?</p> <p>21 A. Yes; that they represent the types of</p> <p>22 elements that the scaling factors represent.</p> <p>23 Q. Did the ESP price include adjustments --</p> <p>24 capacity price which has been adjusted for forecasted</p>

Page 21

Page 23

1 pool requirements?
 2 A. It's the stipulated price, and I would
 3 have to defer to Mr. Roush for those specific prices.
 4 Q. So you don't know?
 5 A. I don't know.
 6 Q. Now, are any of the things we just talked
 7 about, losses, scaling factors, or forecasted pool
 8 requirements, in the MRO part of your comparison?
 9 A. Could you repeat that?
 10 MR. NOURSE: (Record read.)
 11 A. The MRO annual price, the generation
 12 component, which is based on current rates, would
 13 have in it losses, would have in it the pool impacts,
 14 would have all of those types of things in it, as
 15 well as reserve margin and all those types of things.
 16 And then the expected bid prices based on
 17 the market, which would reflect -- would not reflect
 18 the pool but it would reflect, I guess -- let me
 19 correct that. It would reflect whatever costs are in
 20 the 255 capacity cost and would reflect whatever is
 21 in the RPM cost of the bid price.
 22 Q. So would that element of the bid price
 23 include losses?
 24 A. I believe all of these would include

Page 22

1 losses.
 2 Q. Does it include scaling factors?
 3 A. Well, scaling factors represent certain
 4 types of costs as discussed by Mr. Pearce, and those
 5 different costs would appear in all these elements.
 6 Q. So it does include them?
 7 A. It includes the components, yes.
 8 Q. When I say "includes the components," is
 9 that a yes? I'm not sure what you're saying?
 10 A. To say something includes a scale factor
 11 doesn't make sense. Scaling factor represents
 12 certain costs.
 13 Q. It includes an adjustment, your scaling
 14 factors?
 15 A. It includes the costs that the scaling
 16 factors represent.
 17 Q. I wanted to talk to you about the numbers
 18 you used for fuel in your market rate offer price
 19 test calculation, and specifically, you used a fuel
 20 number for coming up with your generation service
 21 price, correct?
 22 A. Yes.
 23 Q. And you used essentially the same number
 24 for fuel for the entire period starting January 2012

1 through the end of May 2015, correct?
 2 A. Yes. That's what my analysis did.
 3 Q. And you are aware, are you not, that the
 4 company has made forecasts of its fuel costs and fuel
 5 cost revenues, correct?
 6 A. There have been forecasts previously,
 7 yes.
 8 Q. And you have seen those correct?
 9 A. The forecasts as presented previously in
 10 the ESP.
 11 Q. Okay. In fact, your last deposition I
 12 showed you some forecast numbers, correct?
 13 A. Yes.
 14 Q. And those forecast numbers went past --
 15 or included forecasts for fuel revenues beyond 2012,
 16 did they not?
 17 A. Yes.
 18 Q. And you didn't use any of the information
 19 from those forecasts, correct?
 20 A. No, I did not.
 21 Q. Would it be correct to say one would not
 22 expect AEP Ohio's fuel costs to be the same in the
 23 three periods you show on your exhibit LJT-2?
 24 A. Actual fuel costs will vary.

Page 24

1 Q. So we would not expect them to be the
 2 same, correct?
 3 A. That's correct.
 4 (EXHIBIT MARKED FOR IDENTIFICATION.)
 5 Q. Ms. Thomas, the court reporter has handed
 6 you what has been marked Exhibit 4. I don't want you
 7 to mention any numbers we will be talking about
 8 because if we mention any numbers, we have to
 9 segregate a portion of the record and I prefer not to
 10 do that.
 11 Do you recognize this document?
 12 A. Yes.
 13 Q. It's a multipage document, is it not?
 14 A. Yes.
 15 Q. And these are a portion of your
 16 workpapers?
 17 A. That's correct.
 18 Q. And in the CD that I received from your
 19 counsel, these workpapers were together in what I
 20 call a file or a folder. Would that make sense to
 21 you?
 22 A. Yes.
 23 Q. So these documents all relate to one
 24 another?

6 (Pages 21 to 24)

Page 25

1 A. Yes, they do.
 2 Q. Okay. And the first page -- I don't want
 3 to mention any numbers -- but the first page says at
 4 the top "Market Rate Option Price Test," correct?
 5 A. Yes. That's what it's titled.
 6 Q. There's a heading in the upper left that
 7 ~~they say "Increased Fuel Analysis."~~ Do you see
 8 that?
 9 A. Yes.
 10 Q. And what does that mean?
 11 A. This is an analysis that shows how much
 12 you could increase fuel costs during this period and
 13 still pass the test, pass the MRO price test.
 14 Q. Okay. There's another highlighted item
 15 at the bottom of the page that is entitled "Average
 16 Incremental Fuel." Do you see that?
 17 A. Yes.
 18 Q. And what is that? What do you mean by
 19 that?
 20 A. That is the average fuel that could be
 21 charged -- an additional amount that would be
 22 included in the fuel factor over the period, on
 23 average, such that you would still -- you would come
 24 out with a zero or zero benefit of this particular

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1 test over the period.
 2 Q. Okay. So what this is showing then on
 3 the line that says Average Incremental Fuel, that is
 4 the amount that fuel costs could increase and have
 5 the ESP and MRO prices only equal zero, the
 6 difference.
 7 A. Yes. And it would be the average over
 8 the period that the fuel would average -- that would
 9 include that additional amount on average over the
 10 period.
 11 Q. So this would be, for lack of a better
 12 word, a sensitivity analysis on fuel costs?
 13 A. Yes.
 14 Q. Did you do a sensitivity analysis on
 15 capacity costs?
 16 A. No, I did not. I utilized the capacity
 17 components from the Stipulation.
 18 Q. Okay. So is it fair to read the first
 19 page of Exhibit 4, and particularly the line
 20 No. 3 that says "Incremental Fuel," as not being a
 21 forecasted number but just being a number that was
 22 plugged in to ultimately reach the difference between
 23 the ESP and MRO of zero?
 24 A. Right. It would be the average --

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1 maximum average that you could include to get a zero
 2 result.
 3 Q. Okay. Now, have you compared the number
 4 that you have there in this table for 2011 full fuel
 5 plus incremental fuel with any forecast of the fuel
 6 adjustment clause charge?
 7 A. I compared it to ~~the fuel forecast~~
 8 previously done for the ESP.
 9 Q. Okay. And is that the one you reference
 10 on Exhibit LJT-2?
 11 A. No. The one that we previously discussed
 12 in my deposition.
 13 Q. Okay. And what was the comparison that
 14 you made?
 15 A. That if you add up lines 2 and 3 from
 16 this analysis, that that number is greater than any
 17 of the forecasted fuel amounts.
 18 Q. By how much?
 19 A. I don't recall by how much. I know that
 20 it was greater than the greatest of the three. I
 21 didn't average them, but it was greater than any of
 22 the yearly forecasts.
 23 Q. Was it by double, by a couple dollars, a
 24 couple cents? Any order of magnitude of the

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1 difference?
 2 A. I think it kind of ranged from like \$6 to
 3 a dollar, so on average it would be somewhere in
 4 between.
 5 Q. So the difference between the combined
 6 2011 full fuel and incremental fuel numbers that
 7 appear on Exhibit 4 and the forecast numbers you saw
 8 range between 1 and 6 dollars?
 9 A. That's my recollection.
 10 Q. Okay. Earlier you told me that the
 11 distribution investment rider was part of the ESP.
 12 Do you remember that?
 13 A. It is part of the Stipulation.
 14 Q. All right. You also told me it was part
 15 of the ESP, did you not?
 16 A. I don't recall if that's what I said or
 17 not. I know it's part of the Stipulation.
 18 Q. Well, is it part of the ESP?
 19 A. I believe so.
 20 Q. Okay. Now, are you aware of what the
 21 purpose of what I'll call the DIR is?
 22 A. Generally.
 23 Q. What is your understanding?
 24 A. That it accounts for distribution

7 (Pages 25 to 28)

<p style="text-align: right;">Page 29</p> <p>1 investment that would occur over a period of time and 2 allow the company recovery of a distribution 3 investment. 4 Q. Okay. Is it intended to recover the cost 5 of fuel? 6 A. No. 7 Q. Is it intended to recover the cost of 8 purchased power? 9 A. No. 10 Q. Is it intended to recover the cost of 11 complying with alternate or renewal power portfolio 12 requirements? 13 A. No. 14 Q. Is it intended to recover the cost of 15 complying with environmental laws and regulations? 16 MR. NOURSE: I'll object to the extent 17 you're talking about environmental regulations. Are 18 you talking about those related to generation? 19 MR. KUTIK: Do you have an objection or 20 not? Don't coach. 21 MR. NOURSE: I'm not. 22 MR. KUTIK: Well, that's not what you 23 just said and I would object. 24 MR. NOURSE: I think your term</p>	<p style="text-align: right;">Page 31</p> <p>1 others who would be more knowledgeable on the 2 specifics. 3 Q. Well, it's correct to say, is it not, 4 that you determined what should be included or not be 5 included in your MRO price test, correct? 6 A. Yes. 7 Q. And I would assume to make that 8 determination as to what should be in or not in, you 9 would have to understand the various components of 10 the ESP, correct? 11 A. Yes; to an extent. 12 Q. That would include the DIR, correct? 13 A. Yes. 14 Q. Now, would it be correct to say that the 15 DIR is not included in your market rate offer price 16 test? 17 A. That's correct. 18 Q. It is part of the ESP, correct? 19 A. Yes. 20 Q. And it also would be correct to say it 21 would not be part of an MRO, correct? 22 A. It's not generation-related, and the MRO 23 price test is related to generation and the MRO is 24 generation-related.</p>
<p style="text-align: right;">Page 30</p> <p>1 "environmental regulation" is vague. 2 MR. KUTIK: Okay. 3 Q. You can answer my question. 4 A. I guess to the extent that environmental 5 regulation resulted in distribution investment, it 6 would encompass that. 7 Q. So you think part of the purpose of the 8 DIR is to recover the cost of complying with 9 environmental laws and regulations? 10 A. No. What I said was that if 11 environmental created distribution investment, its 12 distribution investment is covered under the rider. 13 Q. So it can be used, DIR, to recover the 14 costs to comply with environmental laws and 15 regulations? 16 A. I don't believe there are any 17 restrictions of that kind, you know, that would 18 prohibit that because this is related to distribution 19 investment. 20 Q. So the answer to my question is yes, it 21 can be used, the DIR can be used, to recover the cost 22 of environmental laws and regulations so long as 23 those costs are distribution-related? 24 A. I believe so. But I would defer to</p>	<p style="text-align: right;">Page 32</p> <p>1 Q. Okay. Is it your understanding that only 2 generation-related costs should be compared in the 3 MRO price test, as you call it? 4 A. I believe that the MRO price test, yes, 5 should be an apples to apples generation comparison 6 and other components are picked up through other 7 elements in the aggregate analysis. 8 Q. Okay. Isn't it true that what is to be 9 compared is the Electric Security Plan and the MRO, 10 correct? 11 A. In the aggregate. 12 Q. Right. And the DIR is part of the ESP, 13 correct? 14 A. In the aggregate, yes. 15 Q. Okay. And does it come into play 16 anywhere in anyone's testimony that you are aware of 17 in making the comparison between the MRO and the ESP? 18 A. I believe that element is addressed by 19 other witnesses. 20 Q. Tell me the witness or witnesses. 21 A. I don't recall. Either witness Allen or 22 Hamrock. 23 Q. Okay. Does Mr. Allen calculate the cost 24 of the DIR?</p>

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1 A. I don't recall.
 2 Q. Does Mr. Hamrock?
 3 A. I don't recall.
 4 Q. But you didn't.
 5 A. I did not.
 6 Q. One of the other parts of the ESP that
 7 you mentioned earlier was the pool termination and
 8 modification rider, correct?
 9 A. Yes.
 10 Q. And that's generation related, correct?
 11 A. Yes.
 12 Q. And you did not put anything in your MRO
 13 price test that would account for or would indicate
 14 the cost of the pool termination or modification
 15 rider, correct?
 16 A. That's correct.
 17 Q. Now, would it be also correct to say that
 18 the pool termination and modification rider would not
 19 be part of an MRO?
 20 A. No. I would disagree with that.
 21 Q. Why do you disagree with that?
 22 A. Because for the company to be in an MRO,
 23 you would have to deal with the pool to be in an MRO.
 24 Q. Do you believe that part of the

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1 competitive bidding process bidders would include
 2 something for the pool modification and termination
 3 rider?
 4 A. No. That would not be in the competitive
 5 bid price.
 6 Q. It wouldn't be in the MRO price either,
 7 correct?
 8 A. It would not be in the price as laid out
 9 on the price test, but it would have to be something
 10 that is dealt with if the company were to be in an
 11 MRO.
 12 Q. It would not be part of the MRO price,
 13 correct?
 14 A. That's correct.
 15 Q. Is there a POLR charge anywhere in your
 16 MRO price test?
 17 A. To the extent that it exists as part of
 18 2011 rates, it is included, and to the extent that it
 19 is included in the transaction risk adder for a
 20 competitive bid, yes.
 21 Q. Okay. Well, I guess what I'm talking
 22 about is the POLR charge from AEP. That would be in
 23 the generation service price portion of the MRO
 24 price?

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1 A. Yes.
 2 Q. And what value did you use for the POLR
 3 charge?
 4 A. I believe embedded in the base charge is
 5 the current POLR rate. I believe the -- I don't
 6 recall the current average rate that's embedded in
 7 there.
 8 Q. Somewhere around \$3?
 9 A. I believe so.
 10 Q. Is the current EICCR also in the base ESP
 11 "g" rate that's shown in your generation service
 12 price on Exhibit LJT-2?
 13 A. Yes.
 14 Q. And what's the value of that?
 15 A. I believe that's about 90 cents.
 16 Q. Would it be fair to say that the proper
 17 POLR charge for the ESP that currently exists is
 18 currently something that's being litigated in the
 19 remand of the first ESP case?
 20 A. The current POLR is the subject of a
 21 current remand, yes.
 22 Q. And the current \$3 is the value that the
 23 AEP has advocated as the proper charge?
 24 A. Yes, that's the current charge.

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1 Q. Other parties, like the staff, have
 2 advocated a lower charge?
 3 A. Yes.
 4 Q. And if it turns out that the other
 5 parties are correct and AEP is not, then the proper
 6 number to use in your calculation for the 2011 base
 7 ESP "g" rate would be a lower number, correct?
 8 MR. NOURSE: I would object to the extent
 9 it calls for speculation and review of the entire
 10 Commission order.
 11 Q. Correct?
 12 A. I would have to look at exactly what the
 13 Commission order says.
 14 MR. KUTIK: You know, that is a totally
 15 improper objection. "Looking at the Commission
 16 order" is not an objection.
 17 MR. NOURSE: Your hypothetical was
 18 unclear.
 19 MR. KUTIK: Well, then that's what you
 20 say.
 21 MR. NOURSE: It's the same objection I
 22 make in the hearing.
 23 MR. KUTIK: That's what you say. You're
 24 coaching the witness.

9 (Pages 33 to 36)

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1 MR. NOURSE: I am not.
 2 MR. KUTIK: So stop.
 3 Q. As a matter of math, if the POLR charge
 4 that should be included in the current ESP rate is
 5 lower than the \$3 or so number that you used, isn't
 6 it true that the MRO price per your calculations or
 7 calculation methodology ~~would be~~ lower?
 8 A. Yes.
 9 Q. Okay. And if the MRO price is lower than
 10 the ESP MRO benefit, then the ESP would be less,
 11 correct?
 12 A. The MRO price test would show a lesser
 13 amount, yes.
 14 Q. That's just a matter of math, correct?
 15 A. That's correct; but being sure that you
 16 have the proper number.
 17 Q. Sure. I'm just talking about
 18 relationships here. You understood that.
 19 A. Yes.
 20 Q. Are you aware of what the staff had
 21 recommended as the proper POLR charge for the first
 22 ESP on the remand?
 23 A. My recollection is the staff had a number
 24 of positions.

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1 Q. Okay. Did the staff advocate that the
 2 POLR charge should be 12 percent of what AEP had
 3 recommended?
 4 A. I believe their witness said that they
 5 were not changing what they had -- their position
 6 from the prior ESP case.
 7 Q. That it would be 12 percent of what you
 8 were recommending?
 9 A. No. I believe the witness advocated it
 10 was the full -- the POLR amount that the Commission
 11 had approved.
 12 Q. So it is your view the staff did not
 13 recommend that the POLR charge should be 12 percent?
 14 MR. NOURSE: Objection. You are
 15 referring to remand proceeding?
 16 MR. KUTIK: You made your objection.
 17 Q. You can answer my question.
 18 A. The staff testimony was that they were
 19 not changing their position.
 20 MR. KUTIK: Can you read my question.
 21 (Record read.)
 22 Q. That's your view, correct?
 23 A. The staff testimony didn't change what
 24 they had previously advocated.

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1 Q. So the staff did not take a position that
 2 the POLR -- proper POLR charge should be 12 percent
 3 of what you recommended?
 4 A. Not in their testimony.
 5 Q. At any point, in terms of their briefing,
 6 whatever.
 7 A. I don't recall the specifics of what they
 8 put in their brief. I recollect a change, but I
 9 don't recall the specifics.
 10 Q. So you don't know what the staff's
 11 ultimate position was?
 12 A. I don't recall.
 13 Q. I believe you told me earlier that your
 14 2011 base ESP "g" rate of your generation service
 15 price in your MRO price test included some amount for
 16 rider EICCR, correct?
 17 A. Yes.
 18 Q. And that was about 90 cents, correct?
 19 A. That's my recollection.
 20 Q. Was it the same for each year?
 21 A. Yes.
 22 Q. And is that because -- is the number used
 23 the number that reflects the current level of that
 24 rider?

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1 A. Yes. It reflects 2011 costs.
 2 Q. Does it reflect 2011 costs, or does it
 3 reflect what that rider is currently?
 4 A. It reflects 2011 costs.
 5 Q. And does it reflect what the rider is
 6 currently?
 7 A. There's a lag with the current rider.
 8 That only reflects 2010 costs at the moment.
 9 Q. So you adjusted the cost to reflect the
 10 2011 costs?
 11 A. Yes.
 12 Q. Were you provided with any forecast of
 13 environmental costs and carrying costs associated
 14 with those for any part of the ESP proposed?
 15 A. Those were not provided to me.
 16 Q. Okay. Did you ask for them?
 17 A. No.
 18 Q. Have you seen any?
 19 A. I believe the company provided
 20 information in various data requests but I don't
 21 recall the specifics.
 22 Q. But you may have seen some data requests?
 23 A. I believe that's the case, yes.
 24 Q. Okay. Did you review the testimony of

10 (Pages 37 to 40)

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1 all of the witnesses in this case?
 2 A. Are you talking about the Stipulation or
 3 are you talking about --
 4 Q. All of the testimony.
 5 A. The company's testimony?
 6 Q. Correct.
 7 A. The company's testimony, I believe I read
 8 them at some point in time.
 9 Q. Okay. To the extent there were any
 10 workpapers attached to the application or submitted
 11 with the application, did you review them?
 12 A. Not the workpapers of all the witnesses.
 13 Q. That wasn't my question. Are you aware
 14 there were certain workpapers, such as yours, filed
 15 along with the application?
 16 A. Yes, there were workpapers.
 17 Q. That's the workpapers I was referring to,
 18 workpapers with the application. Did you review
 19 those workpapers?
 20 A. No.
 21 Q. So the only workpapers you reviewed were
 22 your workpapers?
 23 A. Yes.
 24 Q. Did you review the workpapers of any

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1 witnesses in this case?
 2 A. Any of the company witnesses?
 3 Q. Correct.
 4 A. Not that I recall. Let me correct that,
 5 with the exception of certain workpapers that were
 6 provided to me by Mr. Roush. I did review those
 7 because I used those.
 8 Q. What workpapers were those?
 9 A. Workpapers that supported the current ESP
 10 prices and the proposed ESP prices where he gave
 11 me -- provided me the realizations.
 12 MR. KUTIK: Could you read that answer,
 13 please.
 14 (Record read.)
 15 Q. What does that mean?
 16 A. Mr. Roush gave me copies of his
 17 workpapers, at least a final workpaper, that provided
 18 the realizations that I utilized in my MRO test for
 19 the ESP base "g" rates and the proposed and then the
 20 Stipulation ESP prices.
 21 Q. I will portray my ignorance. What is
 22 "realization"? What is that?
 23 A. It's the average cents per kilowatt-hour.
 24 Q. Okay. I believe you told me earlier that

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1 the GRR is part of the ESP, correct?
 2 A. Yes.
 3 Q. And would it be correct to say that the
 4 GRR is not included in your market rate offer price
 5 test?
 6 A. That's correct.
 7 ~~Q. Would it be also correct to say that the~~
 8 GRR, if it was to be included, would not be included
 9 in the MRO part of that calculation?
 10 A. I believe that's correct.
 11 Q. Are you aware now that the GRR is
 12 intended potentially to recover costs associated with
 13 the Turning Point project?
 14 A. I believe that's one of the projects that
 15 the Commission could put into the GRR for recovery of
 16 costs.
 17 Q. Are you aware of whether there has been,
 18 or is there within AEP, any data for what the revenue
 19 requirements for the Turning Point project might be?
 20 A. I don't recall.
 21 Q. You don't know whether you have seen that
 22 or not?
 23 A. Yeah, I can't remember.
 24 Q. Do you know whether there is intended to

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1 be within the ESP any recovery for the Timber Road
 2 project?
 3 A. The Stipulation specifies any of those
 4 costs would go through the FAC or AER.
 5 Q. And those are both bypassable, correct?
 6 A. Yes.
 7 Q. And do you know whether there are any
 8 estimates within AEP of any costs associated with the
 9 Timber Road project?
 10 A. I don't know.
 11 Q. Would it be correct to say there is no
 12 value for an AER charge that appears in your MRO
 13 price test?
 14 A. It's not a separate item, but it is
 15 currently combined with the FAC so they're in there
 16 together.
 17 MR. KUTIK: Off the record.
 18 (Discussion off record.)
 19 (Recess taken.)
 20 Q. Ms. Thomas, what is your understanding of
 21 what the proposed term of the ESP is?
 22 A. My understanding is the ESP ranges from
 23 January of 2012 through May of 2016.
 24 Q. Would it be correct to say in your MRO

11 (Pages 41 to 44)

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<p>1 price test you did not include any figures for the</p> <p>2 period June '15 through May '16?</p> <p>3 A. The tests shown in my Exhibit 2, that's</p> <p>4 correct.</p> <p>5 Q. Are there any such calculations in your</p> <p>6 workpapers?</p> <p>7 A. I have no response to a data request where</p> <p>8 I provided information for the 2015-2016.</p> <p>9 Q. Who is that data request to or from?</p> <p>10 A. FES, I believe.</p> <p>11 Q. All right. Was that fairly recent?</p> <p>12 A. Earlier this week.</p> <p>13 Q. Okay. And with respect to -- and what</p> <p>14 data did you provide for that period?</p> <p>15 A. Basically showed that for that period the</p> <p>16 expected bid price and the ESP price would be</p> <p>17 identical, both being driven by the auction.</p> <p>18 Q. Okay. Did you come up with any</p> <p>19 calculations that compared the MRO price and the ESP</p> <p>20 price for the period June 2015 to May 2016?</p> <p>21 A. It shows that the expected bid price,</p> <p>22 which is equal to the MRO price, which is equal to</p> <p>23 the ESP price for the period of June '15 to May '16.</p> <p>24 Q. So is it the case that in your</p>	<p>1 would it be correct to say that it would be the first</p> <p>2 filed MRO for AEP?</p> <p>3 A. I guess under the hypothetical that AEP</p> <p>4 Ohio filed an MRO, yes.</p> <p>5 Q. And is it the case that AEP Ohio, or the</p> <p>6 two companies that comprise AEP Ohio, as of July 31,</p> <p>7 2008, owned, in whole or in part, operating generation</p> <p>8 generation facilities that had been used and useful</p> <p>9 in Ohio?</p> <p>10 A. Yes.</p> <p>11 Q. So as a matter of a sensitivity analysis</p> <p>12 or whatever, would it be fair for me to assume that</p> <p>13 you have done no calculation for the period June 2015</p> <p>14 to May 2016 where you used the generation service</p> <p>15 price to make a comparison between the MRO price and</p> <p>16 the ESP price?</p> <p>17 A. That's correct.</p> <p>18 Q. Have you reviewed Mr. Fortney's testimony</p> <p>19 that was recently filed in this case?</p> <p>20 A. I briefly read it.</p> <p>21 Q. Did you look at his methodology of his</p> <p>22 comparison of the ESP and MRO?</p> <p>23 A. Just briefly.</p> <p>24 Q. Okay. Did you review it enough to</p>
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<p>1 calculation you did not do any blending of a</p> <p>2 generation service price and an expected bid price</p> <p>3 for the period June '15 to May 2016?</p> <p>4 A. That's correct; it is a 100 percent</p> <p>5 expected bid price.</p> <p>6 Q. Would it be your belief that the statute</p> <p>7 allows you -- by statute, I mean SB 221 -- allows you</p> <p>8 not to blend the generation service price and an</p> <p>9 expected bid price in the year starting June 2015?</p> <p>10 THE WITNESS: Could you repeat that,</p> <p>11 please?</p> <p>12 (Record read.)</p> <p>13 A. As a layperson reading that, I believe</p> <p>14 that in '15, given that the other provisions of the</p> <p>15 Stipulation where the EDU will no longer have any</p> <p>16 generation, that you would no longer have the</p> <p>17 blending.</p> <p>18 Q. So the answer to my question, as a</p> <p>19 layman, is that statute would allow you not to blend</p> <p>20 to come up with your MRO price?</p> <p>21 A. Because of the other provisions of the</p> <p>22 Stipulation.</p> <p>23 Q. Now, if there was an MRO that would be in</p> <p>24 place during any part of the proposed ESP period,</p>	<p>1 understand what he did?</p> <p>2 A. In general, I believe he did -- he looked</p> <p>3 at things on a calendar year basis and then he came</p> <p>4 to the conclusion in his test that an ESP was more</p> <p>5 favorable.</p> <p>6 Q. Did you ever have any discussions with</p> <p>7 Mr. Fortney about how to do the MRO versus ESP price</p> <p>8 test?</p> <p>9 A. No.</p> <p>10 Q. Did you have any discussion with</p> <p>11 Mr. Fortney about his testimony at all?</p> <p>12 A. No.</p> <p>13 Q. Do you know whether anyone at AEP had</p> <p>14 discussions with Mr. Fortney about his testimony?</p> <p>15 A. I don't know.</p> <p>16 Q. Did Mr. Fortney include a value for the</p> <p>17 GRR?</p> <p>18 A. I don't recall.</p> <p>19 Q. If he did, would he be wrong to have done</p> <p>20 that?</p> <p>21 A. Based on the information I have, I don't</p> <p>22 believe the GRR should be included. I don't know</p> <p>23 what his reasons are for including it, so I can't say</p> <p>24 he's right or wrong.</p>

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<p>1 Q. Did you provide any calculations to</p> <p>2 anyone as far as this MRO price test during the</p> <p>3 course of the negotiations for the Stipulation?</p> <p>4 MR. NOURSE: I object. You're asking for</p> <p>5 information relating to the settlement and compromise</p> <p>6 negotiations and supervised by an attorney. Can you</p> <p>7 rephrase and ask it differently?</p> <p>8 MR. KUTIK: I'm not exactly sure what</p> <p>9 your objection is. I don't believe that it is proper</p> <p>10 to preclude the witness from testifying about</p> <p>11 settlement discussions in a deposition. You may have</p> <p>12 a basis to object about the admissibility of that,</p> <p>13 but I think I am allowed to inquire with respect to</p> <p>14 settlement discussion in the context of a deposition.</p> <p>15 MR. NOURSE: Well, okay, if you're just</p> <p>16 asking whether she provided information during some</p> <p>17 time period to that effect, that's one thing. I will</p> <p>18 direct her not to answer to the extent she's</p> <p>19 disclosing any of the settlement discussions or</p> <p>20 specifically her input or consultation about</p> <p>21 positions taken or information conveyed in that</p> <p>22 process.</p> <p>23 MR. KUTIK: Well, again I want you to</p> <p>24 make sure you're clear. I don't believe that you</p>	<p>1 counsel, who did you provide calculations to?</p> <p>2 A. Rich Munczinski and Joe Hamrock.</p> <p>3 Q. And when did you provide them with</p> <p>4 calculations?</p> <p>5 A. I believe that was September 6.</p> <p>6 Q. Was September 6 the first time since you</p> <p>7 had filed your supplemental testimony that you had</p> <p>8 undertaken to do a market price offer test</p> <p>9 calculation?</p> <p>10 A. Yes.</p> <p>11 Q. And were the numbers that you showed</p> <p>12 Mr. Hamrock and Mr. Munczinski the same numbers that</p> <p>13 are displayed in Exhibit LJT-2?</p> <p>14 MR. NOURSE: I object and direct her not</p> <p>15 to answer. You are getting into substance of things</p> <p>16 provided prior to the Stipulation being finalized to</p> <p>17 people in-house. It is one thing to ask if it</p> <p>18 occurred; but we're not going to get into the</p> <p>19 substance of what was in that analysis.</p> <p>20 MR. KUTIK: All I asked was if they were</p> <p>21 different, that's all.</p> <p>22 MR. NOURSE: You can answer that. We are</p> <p>23 not going to get into substance.</p> <p>24 A. Slightly.</p>
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<p>1 have a settlement privilege. You have a privilege</p> <p>2 when there is a common interest. There is no common</p> <p>3 interest until there has been a settlement. So up</p> <p>4 until the time of settlement, you are adverse and</p> <p>5 there is no privilege.</p> <p>6 Now if you want to instruct her not to</p> <p>7 answer questions with respect to her conversations</p> <p>8 with you, okay.</p> <p>9 MR. NOURSE: I thought you were asking</p> <p>10 about providing the AEP people in house. She already</p> <p>11 said she wasn't involved in that.</p> <p>12 MR. KUTIK: Again, that was a nice coach,</p> <p>13 too.</p> <p>14 MR. NOURSE: She said that clearly</p> <p>15 earlier, David.</p> <p>16 MR. KUTIK: Again, you are reminding her</p> <p>17 of her testimony.</p> <p>18 MR. NOURSE: With that instruction, if</p> <p>19 you want to go ahead and answer.</p> <p>20 Q. Other than your counsel, exclude counsel,</p> <p>21 did you provide calculations of the MRO test to</p> <p>22 anyone during the negotiations of the Stipulation?</p> <p>23 A. Yes.</p> <p>24 Q. Who did you provide it to? Excluding</p>	<p>1 Q. Now, you said you had reviewed</p> <p>2 Mr. Fortney's testimony.</p> <p>3 A. I read it briefly.</p> <p>4 Q. Okay. Did you review the testimony of</p> <p>5 any other witness filed by any party other than AEP</p> <p>6 Ohio in this case?</p> <p>7 A. Regarding the Stipulation?</p> <p>8 Q. No. Any testimony filed in this case,</p> <p>9 have you looked at?</p> <p>10 A. Yes. I looked at some of the other</p> <p>11 intervenor testimony and staff testimony filed back</p> <p>12 sometime July or August, somewhere back there.</p> <p>13 Q. Okay. Did you review the testimony of</p> <p>14 Mr. Schnitzer.</p> <p>15 A. Yes.</p> <p>16 Q. Did you review the testimony of any other</p> <p>17 FES witness?</p> <p>18 A. I believe I briefly read the others.</p> <p>19 Q. Did you review Mr. Schnitzer's testimony</p> <p>20 to be able to comment on it today?</p> <p>21 A. No. I had reviewed it a few weeks ago.</p> <p>22 Q. Okay. So you're unable today to provide</p> <p>23 any comments on Mr. Schnitzer's views, as he</p> <p>24 expressed previously?</p>

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1 A. Only to the extent I recall.
 2 Q. Yes, that's what I'm asking, what you
 3 recall.
 4 A. Oh, I thought you said "Am I able to
 5 comment."
 6 Q. That's right. Are you?
 7 ~~A. My answer was "to the extent I recall."~~
 8 Q. So please tell me what you thought of
 9 Mr. Schnitzer's testimony.
 10 A. I believe he has a number of errors in
 11 his testimony.
 12 Q. And what were his errors?
 13 A. I believe he has errors in his capacity,
 14 errors in his energy components of his competitive
 15 benchmark price.
 16 Q. Okay. Anything else?
 17 A. Those are the two that jump out at me
 18 immediately. I don't recall what else there is.
 19 Q. Okay. And what are the errors
 20 Mr. Schnitzer had in his capacity?
 21 A. Just numerically, set aside the issue of
 22 whether RPM is appropriate or not. Numerically he
 23 did not include the appropriate scalers that are
 24 applicable to what CRES providers pay under the RPM

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1 rates.
 2 Q. And what would those be?
 3 A. The scalers that appear -- I believe
 4 Mr. Pearce shows how those scalers work in his
 5 testimony.
 6 Q. In his testimony for the Stipulation?
 7 A. Yes.
 8 Q. Any other errors that Mr. Schnitzer had
 9 in his discussion of capacity?
 10 A. Other than what I mentioned, his position
 11 about that it needed to be RPM. Numerically, that's
 12 the one that jumps out. There may be others. I just
 13 don't recall.
 14 Q. What errors did he make in his discussion
 15 about energy?
 16 A. Basically picked a date to create an
 17 artificially low energy price.
 18 Q. Why do you say he picked a date to create
 19 an artificially low energy price?
 20 A. Because if you look at any other dates
 21 around what he picked or any other dates since then,
 22 that one date that he picked had lower prices than
 23 anything around it.
 24 Q. Okay. Anything else?

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1 A. I just don't recall. There may be
 2 others. I just don't recall.
 3 Q. Did you make any notes of your review of
 4 Mr. Schnitzer's testimony?
 5 A. I believe I provided a few notes to my
 6 counsel.
 7 Q. Okay. Other than the notes that you gave
 8 to counsel, any other notes, any personal notes?
 9 A. Not that I recall, no.
 10 Q. Do you have any comments on any other FES
 11 witness whose testimony you read?
 12 A. Not that I recall.
 13 Q. Do you have any comments on any other
 14 witness from a party other than AEP?
 15 A. Not that I can recall at this time:
 16 MR. KUTIK: Let's go off the record.
 17 (Discussion off record.)
 18 (EXHIBIT MARKED FOR IDENTIFICATION.)
 19 Q. The court reporter has handed you what
 20 has been marked for identification Exhibit 5 in this
 21 deposition. Do you recognize that?
 22 A. Yes.
 23 Q. And this is an exhibit that comprises two
 24 pages, correct?

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1 A. Yes.
 2 Q. The first page has marked at the top
 3 right IEU Interrogatory 91 Attachment 1, and the
 4 second page is Attachment 2, correct?
 5 A. Yes.
 6 Q. And did you prepare these?
 7 A. They were prepared at my direction.
 8 Q. And would it be fair to say the
 9 information that's displayed on these two pages was
 10 the information that you relied upon to come up with
 11 your values for the retail administration fee and the
 12 transaction risk adder in addition to the values that
 13 you discussed earlier relating to AEP?
 14 A. This is the support from the initial
 15 filing. In my workpapers for the Stipulation, I had
 16 modified workpapers that included the additional
 17 information as well as some summary columns out to
 18 the right-hand side and an additional tab that looked
 19 at those two pieces in the aggregate.
 20 Q. And what was that workpaper called; do
 21 you recall?
 22 A. I don't recall the title, but I believe
 23 it includes the words "risk adder" and "retail admin
 24 fee" in the title of file.

14 (Pages 53 to 56)

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1 Q. And it includes the information that's
2 shown on Exhibit 5 plus additional?
3 A. That's correct.
4 MR. KUTIK: That's all I have. Thank
5 you.
6 ---
7 **EXAMINATION**
8 By Mr. Darr:
9 Q. One small area I want to cover. In
10 response to a question earlier today you made
11 reference to the fact there had been no adjustment
12 made for the POLR rate that's currently the subject
13 of the repeal. Do you recall that?
14 A. Yes, I do.
15 Q. An additional issue that's currently
16 subject to the remand hearing is what has been
17 referred to as the 2001-2008 incremental investment.
18 Are you aware of that as well?
19 A. Yes.
20 Q. Was any adjustment made in your
21 calculation of the going-forward ESP price, the one
22 that -- excuse me -- the MRO price that was based on
23 the 2011 rate made for the 2001-2008 incremental
24 investment?

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1 A. No adjustments were made.
2 Q. And going back to the question, or along
3 a similar line, if the adjustment were made, what
4 would be the effect on the ESP MRO comparison if that
5 amount were taken out?
6 A. It would reduce the generation price just
7 mathematically. Not knowing what the limits of that
8 order might be, if you reduced the base "g" price,
9 the MRO pricing would decrease and the benefit would
10 decrease.
11 Q. Have you attempted that calculation?
12 A. To remove all of those costs?
13 Q. To remove the 2001-2008 incremental
14 investment.
15 A. No.
16 MR. DARR: That's all I have.
17 Thank you.
18 MR. KUTIK: Does anyone on the phone have
19 any questions.
20 MR. BONNER: No questions.
21 MR. NOURSE: Maureen?
22 MR. KUTIK: Hearing none.
23 While we were off the record, I indicated
24 to counsel my desire not to have to seal anything in

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1 what we have marked as Exhibit 4. Exhibit 4 does
2 include the legend at the bottom of the page
3 "Restricted, Access Confidential."
4 Counsel, will you take that under
5 advisement?
6 MR. NOURSE: Yes. We will check that and
7 get back to you, but at this point it is marked
8 restricted access and subject to protective agreement
9 and should be treated confidentially at this time.
10 MR. KUTIK: But that doesn't limit, at
11 least for our purposes, the court reporter's ability
12 to make comments of that document?
13 MR. NOURSE: To the extent you need to
14 for deposition exhibits and if you're distributing
15 that to anybody other than the parties in the room, I
16 would need to be aware of that to make sure they're
17 covered by the protective agreement.
18 MR. KUTIK: And at this point, will you
19 indicate whether you wish to read or waive?
20 MR. NOURSE: Read.
21 (The deposition concluded at 3:45 p.m.)
22 ---
23
24

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1 State of Ohio :
2 : SS:
3 County of :
4 I, Laura J. Thomas, do hereby certify that I
5 have read the foregoing transcript of my deposition
6 given on Thursday, September 22, 2011; that together
7 with the correction page attached hereto noting
8 changes in form or substance, if any, it is true and
9 correct.
10
11 _____
12 Laura J. Thomas
13
14 I do hereby certify that the foregoing
15 transcript of the deposition of Laura J. Thomas was
16 submitted to the witness for reading and signing;
17 that after she had stated to the undersigned Notary
18 Public that she had read and examined her deposition,
19 she signed the same in my presence on the _____
20 day of _____, 2011.
21
22 _____
23 Notary Public
24 My commission expires _____, _____.

15 (Pages 57 to 60)

CERTIFICATE

State of Ohio

: SS:

County of Franklin

I, Rosemary F. Anderson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Laura J. Thomas was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 23rd day of September, 2011.

Rosemary F. Anderson,
Registered Professional Reporter,
and Notary Public in and for the
State of Ohio.

My commission expires April 5, 2014.

(RFA-8682-2)

Increased Fuel Analysis

AEP Ohio Electric Security Plan Stipulation Market Rate Option Test Market Rate Option Price Test

	2012	Jan 2013 - May 2014	Jun 2014 - May 2015	Wtd Average (4) = weighted (1), (2) and (3)
<u>Generation Service Price</u>	(1)	(2)	(3)	
1 2011 Base ESP 'g' Rate	27.12	27.04	27.04	27.06
2 2011 Full Fuel	33.01	33.00	33.00	33.00
3 Incremental Fuel	7.45	7.45	7.45	7.45
4 Total Generation Service Price	67.58	67.49	67.49	67.51
<u>Expected Bid Price</u>				
5 Competitive Benchmark - Capacity Cost	70.53	74.66	79.85	74.95
6 Shopping Benchmark Weight	79%	66%	59%	
7 Competitive Benchmark - RPM	57.16	58.68	72.32	62.21
8 Shopping Benchmark Weight	21%	34%	41%	
9 Expected Bid Price	67.72	69.23	76.76	70.98
<u>MRO Pricing</u>				
10 Generation Service Price	67.58	67.49	67.49	67.51
11 Generation Service Weight	90%	77%	66%	
12 Expected Bid Price	67.72	69.23	76.76	70.98
13 Expected Bid Weight	10%	23%	34%	
14 MRO Annual Price	67.59	67.89	70.64	68.60
<u>MRO - ESP Price Comparison</u>				
15 MRO Annual Price	67.59	67.89	70.64	68.60
16 Stipulation ESP Price	59.71	61.34	62.34	61.15
17 + Incremental Fuel	7.45	7.45	7.45	7.45
18 Adjusted Stipulation ESP Price	67.16	68.79	69.79	68.60
19 ESP Price Benefit**	0.43	(0.90)	0.85	0.00

AVERAGE INCREMENTAL FUEL 7.45

* Includes "Renewable and Energy Efficiency Adjustment", Forecasted Fuel

** Does not include all ESP Benefits included in the Settlement



AEP Ohio
Electric Security Plan
Percentage Weightings

Generation Service / Expected Bid Price Weightings

Year	Period	Months	Percentage Generation Service Price		Percentage Competitive Benchmark	
Calendar 2012	Jan - Dec 2012	12	90%		10%	
Jan 2013 - May 2014	Jan - Dec 2013	12		80%		20%
	Jan - May 2014	5	77%	70%	23%	30%
Jun 2014- May 2015	Jun - Dec 2014	7		70%		30%
	Jan - May 2015	5	66%	60%	34%	40%

Competitive Benchmark / Shopping Weighting

Year	Period	Months	Percentage		Percentage	
Calendar 2012	Jan - Dec 2012	12	79%		21%	
Jan 2013 - May 2014	Jan - Dec 2013	12		69%		31%
	Jan - May 2014	5	66%	59%	34%	41%
Jun 2014- May 2015	Jun - Dec 2014	7		59%		41%
	Jan - May 2015	5	59%	59%	41%	41%

AEP-Ohio

**Weighted Average Market Prices based on AEP-Ohio Composite Market Prices
Competitive Benchmark Using \$255/MW-Day for Capacity**

CSP	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	78.47	82.59	88.35	83.07
Commercial	70.53	74.21	78.91	74.47
Industrial	64.06	68.50	73.59	68.67
Total	72.10	76.23	81.52	76.55

OPCo	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	78.47	82.59	88.35	83.03
Commercial	70.53	74.21	78.91	74.44
Industrial	64.06	68.50	73.59	68.72
Total	69.47	73.60	78.74	73.88

AEP-Ohio	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	78.47	82.59	88.35	83.05
Commercial	70.53	74.21	78.91	74.45
Industrial	64.06	68.50	73.59	68.70
Total	70.53	74.66	79.85	74.95

AEP-Ohio

Weighted Average Market Prices based on AEP-Ohio Composite Market Prices
Competitive Benchmark Using \$255/MW-Day for Capacity

CSP	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$587,120,387	\$878,939,298	\$662,412,960	\$2,128,472,645
Commercial	\$356,634,945	\$506,275,462	\$385,609,497	\$1,248,519,904
Industrial	\$316,161,724	\$477,506,650	\$356,977,731	\$1,150,646,105
Total	\$1,259,917,056	\$1,862,721,410	\$1,405,000,188	\$4,527,638,654

OPCo	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$576,707,418	\$853,790,643	\$631,225,410	\$2,061,723,471
Commercial	\$382,004,586	\$532,189,594	\$401,983,322	\$1,316,177,502
Industrial	\$849,685,434	\$1,305,397,650	\$994,576,209	\$3,149,659,293
Total	\$1,808,397,438	\$2,691,377,887	\$2,027,784,941	\$6,527,560,266

AEP-Ohio	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$1,163,827,805	\$1,732,729,941	\$1,293,638,370	\$4,190,196,116
Commercial	\$738,639,531	\$1,038,465,056	\$787,592,819	\$2,564,697,406
Industrial	\$1,165,847,158	\$1,782,904,300	\$1,351,553,940	\$4,300,305,398
Total	\$3,068,314,494	\$4,554,099,297	\$3,432,785,129	\$11,055,198,920

AEP-Ohio

**Weighted Average Market Prices based on AEP-Ohio Composite Market Prices
Competitive Benchmark Using RPM Capacity Prices**

	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
CSP				
Residential	60.62	61.26	78.26	66.05
Commercial	57.16	58.33	71.59	61.84
Industrial	54.35	56.78	67.97	59.30
Total	57.85	59.16	73.47	62.94

	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
QPCo				
Residential	60.62	61.26	78.26	65.96
Commercial	57.16	58.33	71.59	61.79
Industrial	54.35	56.78	67.97	59.38
Total	56.71	58.35	71.54	61.71

	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
AEP-Ohio				
Residential	60.62	61.26	78.26	66.01
Commercial	57.16	58.33	71.59	61.82
Industrial	54.35	56.78	67.97	59.36
Total	57.16	58.68	72.32	62.21

AEP-Ohio

Weighted Average Market Prices based on AEP-Ohio Composite Market Prices
Competitive Benchmark Using RPM Capacity Prices

CSP	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$453,564,902	\$651,941,172	\$586,762,176	\$1,692,268,250
Commercial	\$289,029,540	\$397,938,926	\$349,838,853	\$1,036,807,319
Industrial	\$268,238,990	\$395,807,702	\$329,715,673	\$993,762,365
Total	\$1,010,833,432	\$1,445,687,800	\$1,266,316,702	\$3,722,837,934

OPCo	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$445,520,628	\$633,287,502	\$559,136,396	\$1,637,944,526
Commercial	\$309,589,992	\$418,307,762	\$364,693,778	\$1,092,591,532
Industrial	\$720,892,965	\$1,082,050,782	\$918,621,347	\$2,721,565,094
Total	\$1,476,003,585	\$2,133,646,046	\$1,842,451,521	\$5,452,101,152

AEP-Ohio	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$899,085,530	\$1,285,228,674	\$1,145,898,572	\$3,330,212,776
Commercial	\$598,619,532	\$816,246,688	\$714,532,631	\$2,129,398,851
Industrial	\$989,131,955	\$1,477,858,484	\$1,248,337,020	\$3,715,327,459
Total	\$2,486,837,017	\$3,579,333,846	\$3,108,768,223	\$9,174,939,086

AEP-Ohio

Weighted Average Base G Prices (excl POLR and Env)

CSP	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	22.34	22.34	22.34	22.34
Commercial	28.36	28.36	28.36	28.36
Industrial	16.40	16.40	16.40	16.40
Total	22.41	22.34	22.38	22.37

OPCo	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	26.41	26.41	26.41	26.41
Commercial	28.74	28.74	28.74	28.74
Industrial	20.05	20.05	20.05	20.05
Total	23.65	23.55	23.53	23.58

AEP-Ohio	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	24.36	24.35	24.33	24.34
Commercial	28.56	28.55	28.55	28.56
Industrial	19.06	19.07	19.09	19.07
Total	23.15	23.07	23.07	23.09

Adj by +/- .01 due to rounding

AEP-Ohio**Forecasted Base G Revenue (Excl POLR and Env)**

CSP	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$167,150,114	\$237,746,748	\$167,496,384	\$572,393,246
Commercial	\$143,492,840	\$193,477,592	\$138,586,812	\$475,466,744
Industrial	\$80,940,560	\$114,322,760	\$79,554,760	\$274,818,080
Total	\$391,493,014	\$545,547,100	\$385,637,956	\$1,322,678,070

OPCo	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$194,097,654	\$273,018,657	\$188,688,886	\$655,805,197
Commercial	\$155,661,588	\$206,106,036	\$146,407,308	\$508,174,932
Industrial	\$265,941,195	\$382,090,845	\$270,977,755	\$919,009,795
Total	\$615,700,437	\$861,215,538	\$606,073,949	\$2,082,989,924

AEP-Ohio	2012	Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
Residential	\$361,247,768	\$510,765,405	\$356,185,270	\$1,228,198,443
Commercial	\$299,063,928	\$399,583,628	\$284,994,120	\$983,641,676
Industrial	\$346,881,755	\$496,413,605	\$350,532,515	\$1,193,827,875
Total	\$1,007,193,451	\$1,406,762,638	\$991,711,905	\$3,405,667,994

AEP-Ohio
Forecasted Non-Shopping Load (MWH)

		Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
CSP	2012			
Residential	7,482,100	10,642,200	7,497,600	25,621,900
Commercial	5,056,500	6,822,200	4,886,700	16,765,400
Industrial	4,935,400	6,970,900	4,850,900	16,757,200
Total	17,474,000	24,435,300	17,235,200	59,144,500

		Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
OPCo	2012			
Residential	7,349,400	10,337,700	7,144,600	24,831,700
Commercial	5,416,200	7,171,400	5,094,200	17,681,800
Industrial	13,263,900	19,056,900	13,515,100	45,835,900
Total	26,029,500	36,566,000	25,753,900	88,349,400

		Jan 2013- May 2014	Jun 2014- May 2015	Total Jan 2012 - May 2015
AEP-Ohio	2012			
Residential	14,831,500	20,979,900	14,642,200	50,453,600
Commercial	10,472,700	13,993,600	9,980,900	34,447,200
Industrial	18,199,300	26,027,800	18,366,000	62,593,100
Total	43,503,500	61,001,300	42,989,100	147,493,900

147,493,900

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

EXHIBIT

PENGAD 800-331-6989

Thomas

TRANSACTION RISK ADDER - SUPPORTING ANALYSES

STATE	ENTITY / FORUM	AMOUNT / DESCRIPTION	DATE	RATIONALE
Ohio	FE ESP Filing	FE forecasted a Risk-Adder/Margin value of \$10.75 to \$21.73, or 13% to 22%.	2008	The estimated value of the Risk-Adder/Margin component of competitive FRS was based on a review of various auction results.
Ohio	Duke Ohio ESP Filing	Duke Ohio's forecasted FRS price included an Ask Adder and a Margin/Operating Risk Adjustment totaling \$16.56, or roughly 18%.	2008	The Margin/Operating Risk Adjustment, which accounted for \$13.93, was based on Value Line estimates of operating margin for all industries and which equaled 15%. This pricing component does not include sales, general and administrative costs.
Ohio	Duke Ohio MRO Filing	DE Ohio's forecasted FRS price included an Ask Adder and a Margin/Operating Risk Adjustment totaling \$9.90, or roughly 17%.	2010	The Margin/Operating Risk Adjustment, which accounts for \$9.10, is based on Value Line estimates of operating margin for 2002-2007 for all industries and which equaled 18.6%. This does pricing component does not include sales, general and administrative costs.
Maryland	Maryland Order No. 78710 - Price Anomaly Threshold	For competitive purposes the amount of the eight component of the PAT, the Transaction Cost and Risk Adder, is not publicly disclosed. However, the docket in which it was approved suggests it is more than just an immaterial percent or two.	2002 through the present	The PAT is actually a number, or price point, determined by the Commission Staff, the utilities and the Commission's SOS consultant. The objective in the PAT determination is to define the highest reasonable wholesale market prices for full service SOS according to current market conditions. The mechanism is intended to work as a gross target designed to prevent irregular or out of market bids from being included in a utility's SOS supply portfolio.
Maryland	Resource Insight, Inc. - Risk Analysis of Procurement Strategies for Residential Standard Offer Service	Risk and Transaction-Cost Adder, first year of contract - 5%; second year of contract - 10%	2008	Estimates of Risk and Transaction-Cost Adder were based on a user-defined percentage adder (Maryland Office of People's Counsel)
Research Report: "The Ethics of Dynamic Pricing"	Ahmad Faruqui, Ph.D., Principal The Brattle Group	Estimated Risk Premium for FRS at 15%	2010	The estimated risk premium was based on an analysis of recent auctions in the North East for FRS default service.
Pennsylvania	The NorthBridge Group, on behalf of PECO Energy Company.	Residual Compensation for recent 1 year auctions estimated at 4.5%. Residual Compensation for recent 3 year auctions estimated at roughly 7.3%.	2008	Mr. Fisher's analysis included auctions conducted in New Jersey, Delaware, Illinois, and Pennsylvania.
New Jersey, Maryland, Delaware, and Illinois	The Brattle Group - Trends in POLR Procurement	Auction bids were typically \$2-\$15/MWh higher, or 5-20% above estimates of the "no-risk" cost. (Premiums as high as 40+% for large customers.)	2008	Auctions have benefits but fixed-price FRS prices appear to contain a significant risk premium.
Rhode Island	Analysis of Standard Offer Service Approaches for Mass Market Customers by The NorthBridge Group	Residual Compensation for recent 1 year auctions estimated at 4.5%, or \$4/MWh	2010	Standard Offer Service involves many costs and risks including: mismatch between revenues and supply costs, customer migration, unexpected congestion, uncertain load and price levels, uncertain load and price shapes, adverse selection, collateral requirements.

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :
Company and Columbus Power :
Company for Authority to : Case No. 10-2376-EL-UNC
Merge and Related :
Approvals. :

In the Matter of the :
Application of Columbus :
Southern Power Company :
and Ohio Power Company :
for Authority to Establish :
a Standard Service Offer : Case No. 11-346-EL-SSO
Pursuant to §4928.143, : Case No. 11-348-EL-SSO
Ohio Rev. Code, in the :
Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :
Southern Power Company : Case No. 11-349-EL-AAM
and Ohio Power Company : Case No. 11-350-EL-AAM
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :
Southern Power Company to : Case No. 10-343-EL-ATA
Amend its Emergency :
Curtailment Service :
Riders. :

In the Matter of the :
Application of Ohio Power :
Company to Amend its : Case No. 10-344-EL-ATA
Emergency Curtailment :
Service Riders. :

In the Matter of the :
Commission Review of the :
Capacity Charges of Ohio : Case No. 10-2929-EL-UNC
Power Company and Columbus :
Southern Power Company. :

1 APPEARANCES:

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6 On behalf of the Applicants.

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12 On behalf of FirstEnergy Solutions
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On behalf of Industrial Energy Users.

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By Mr. Terry L. Etter (via telephone)
Assistant Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
On behalf of the Residential Ratepayers
of Columbus Southern Power Company and
Ohio Power Company.

1 In the Matter of the :
2 Application of Columbus :
3 Southern Power Company for:
4 Approval of a Mechanism to: Case No. 11-4920-EL-RDR
5 Recover Deferred Fuel :
6 Costs Ordered Under Ohio :
7 Revised Code 4928.144. :

8 In the Matter of the :
9 Application of Ohio Power :
10 Company for Approval of a :
11 Mechanism to Recover : Case No. 11-4921-EL-RDR
12 Deferred Fuel Costs :
13 Ordered Under Ohio Revised:
14 Code 4928.144. :

15 DEPOSITION
16 of David M. Roush, taken before me, Karen Sue Gibson,
17 a Notary Public in and for the State of Ohio, at the
18 offices of Porter, Wright, Morris & Arthur, LLP, 41
19 South High Street, Columbus, Ohio, on Friday,
20 September 23, 2011, at 1 p.m.

21 ARMSTRONG & OKEY, INC.
22 222 East Town Street, 2nd Floor
23 Columbus, Ohio 43215
24 (614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

1 ALSO PRESENT:

2 Ms. Tamara Turkenton (via telephone).
3 Mr. Robert Fortney (via telephone).
4 ---



Page 5

Friday Morning Session,
September 23, 2011.

DAVID M. ROUSH

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

EXAMINATION

By Mr. Lang:

Q. Mr. Roush, good afternoon.

A. Good afternoon.

Q. My name is Jim Lang. I'll be asking you
questions on behalf of FirstEnergy Solutions this
afternoon. We -- we were involved in a deposition
about a month or two ago, so I hopefully won't be
retreading any issues from that, but I do have
questions related to the stipulation.

And the first thing I would like to ask
you to do is in your testimony you reference the
exhibits that you're sponsoring, and as part of this
stipulation testimony, you have a DMR-5 which is a
typical bill comparisons; in your original testimony
in this case filed in January, your DMR-5 was the
tariffs for Columbus Southern and Ohio Power. Is --
are you still sponsoring those exhibits from January,

Page 6

or is that now put to the side and your testimony is
the stipulation testimony?

A. There would be new tariffs which would
reflect the terms of the stipulation so they would be
different from those originally filed tariffs.

Q. Okay. So we don't have any tariffs yet.
Would the new tariffs be -- to reflect the
stipulation would they be combined AEP Ohio?

A. There would be -- you know, assuming the
stipulation is approved and the merger is
consummated, there would be an Ohio Power Company
tariff book but there would be -- would have to be
straight rate zones for the Ohio Power Company
territory and for the former Columbus Southern Power
Company territory. And that's, I think, discussed in
stipulation paragraph III, if I remember correctly.

Q. Okay. Is it -- is it your understanding
that the merged entity will be called Ohio Power?

A. That's my understanding but -- yeah,
that's my understanding.

Q. As we sit here today, you don't know
whether that actually will be the case?

A. It's not my call so I'm not certain.

Q. Yeah, right. Okay. And on page 3 of

Page 7

your testimony you refer to your Exhibit DMR-1. And
you list the -- each component of the stipulation
shown on Exhibit DMR-1. One of the items you list is
"implementation of the Distribution Investment
Recovery Rider (at the maximum allowable established
in the Stipulation)." Where will I find that in
Exhibit DMR-1?

A. In Exhibit DMR-1 that would be reflected
in the values shown, for example, on page 1, "2012
Rates with Proposed ESP," the projected -- projected
distribution column, just short "proj. dist."

Q. Okay. So the -- so the implementation of
the distribution investment recovery rider the -- the
rate impact of that is in the projected distribution
column and you reference 2012. That would be the
same for the 2013 rates and the 2014 rates?

A. That's correct.

Q. And then is the projected distribution
column -- in addition to the DIR, it's the other --
other distribution schedules?

MR. CONWAY: I'm sorry. Could you read
that question back for me.

(Question read.)

A. It would include based contribution rates

Page 8

and distribution-related riders and then the DIR.

Q. Okay. And then the same question for the
economic development cost recovery rider. Which --
which column do I find that in on DMR-1?

A. That will also be in the "projected
distribution" column as a distribution-related rider.

Q. With regard to the green power portfolio
rider, customers who take service under the green
power portfolio rider at -- at any level will be
exempt from rider AER; is that correct?

A. Yes, that's correct, as stated on page 7
of my testimony.

Q. And there are -- there are different, I
guess, percentage levels of the green power portfolio
rider, correct?

A. Correct. They can choose 25, 50, 75, or
100 percent of their energy usage.

Q. And the exemption from the alternative
energy rider applies regardless of whether the
customer is at the 25 percent level, 50, 75, or
100 percent level?

A. Correct.

Q. Okay. There is several provisions in the
stipulation dealing with interruptible power and

2 (Pages 5 to 8)

Page 9

1 curtailable services. Under the stipulation starting
2 in 2012, is the IRP-D the only interruptible schedule
3 that's remaining? Is that the only schedule -- is it
4 the only schedule dealing with interruptible power?

5 A. Yes, rider IRP-D will be the only
6 schedule remaining that deals directly with
7 interruptible power.

8 Q. In your testimony -- and then it looks
9 like IRP-D would be continuing only for current
10 customers; is that correct? I'm looking at page 6,
11 if that helps you.

12 A. Thank you. Yeah, for customers taking
13 service of it as of December, '11, only so it's
14 possible someone could take service between today and
15 the end of the year.

16 Q. Okay. The proposed credit under rider
17 IRP-D of \$8.21 per kW per month, how is that
18 calculated?

19 A. It was a stipulated, agreed upon number
20 which coincidentally or conveniently matches the
21 calculation I show on, if I find the right workpaper,
22 workpaper DMR page 59. It would basically be
23 75 percent of the company's originally proposed
24 equivalent to the FRR capacity rate in 10-2929.

Page 10

1 Q. Okay. So in looking at that workpaper
2 that you have referenced, your -- it looks like you
3 are starting with a \$255 per megawatt day which
4 includes losses, increase it to exclude losses that
5 you have \$263.70, and so your equivalent rate is on
6 a -- kWh per month is \$8.02?

7 A. Yeah.

8 Q. And you had referred to this the -- the
9 IRP at original proposal of \$10.95. Is that
10 equivalent to the capacity price at \$355 per megawatt
11 day?

12 A. I don't remember the exact number,
13 whatever was in this exact same workpaper in my
14 original filing.

15 Q. I was wondering about this workpaper, the
16 calculation to get the \$8.21 is -- is 75 percent off
17 the 10.95. It's not directly related to the 255
18 calculation, correct?

19 A. Correct.

20 Q. Okay. And there is a -- as part of the
21 delt -- as part of the stipulation, there is a delta
22 between the 8.21 and \$6.57 that is going to be
23 recovered through the economic development cost
24 recovery rider; is that correct?

Page 11

1 A. That's correct, as stated on page 6 of my
2 testimony, yeah.

3 Q. The -- the \$6.57 was what? You refer to
4 it as the originally proposed credit.

5 A. It was the credit that we originally
6 proposed in the ESP which I believe was 80 percent of
7 the 8.21.

8 Q. Okay. So the -- okay. So the 6.57 is
9 what was proposed in January.

10 A. Correct.

11 Q. Do you know what the current credit is
12 today in the current tariffs?

13 A. I think it varies depending on whether
14 you are a Columbus Southern or Ohio Power customer
15 and what voltage you are served at, but for Ohio
16 Power GS -- Ohio Power transmission voltage it's
17 \$3.67. And comparison is not very easy for Columbus
18 Southern because of the blocked firm demand charge so
19 that's not a straightforward comparison there. And I
20 am looking at my workpapers, for example, the number
21 I used was DMR page 44.

22 Q. Okay.

23 A. I'm sorry, DMR page 45.

24 Q. Okay. Are you able to say whether the

Page 12

1 proposed credit of \$6.57 was higher than what's in
2 current -- what's in the current schedule?

3 A. For Ohio Power it is. For CSP I haven't
4 done that comparison.

5 Q. Is that -- is the credit, the
6 interruptible credit in current rates, is there cost
7 recovery through some other mechanism of that credit?

8 A. Not explicitly. I guess you would have
9 to go back to when those interruptible rates were
10 first introduced in the traditional cost to service
11 environment to the extent there was a cost of having
12 interruptible customers and there were benefits of
13 having interruptible customers, those were kind of an
14 aggregate into all other retail rates back in the
15 traditional cost to service world.

16 Q. Okay. Do you know why the delta between
17 the 6.57 and the 8.21 for this interruptible charge
18 is going to be proposed for -- will be recovered
19 through the economic development rider?

20 A. It's part of the negotiated stipulation.

21 Q. What other costs currently are recovered
22 through the economic development rider?

23 A. Generally it's Commission-approved
24 discounts under reasonable arrangements.

3 (Pages 9 to 12)

Page 13

1 Q. What is the purpose of the market
2 transition rider or MTR?

3 A. I guess I explained it best at page 11 of
4 my testimony, that the MTR is designed to facilitate
5 the transition from CSP and OP's current generation
6 to the market-based SSO generation service rates.

7 Q. As you describe here, that transition --
8 the companies move 50 percent in that direction
9 between 2012 and June 1, 2015; is that correct?

10 A. That's correct, the MTR was designed to
11 accomplish 50 percent of the transition by June 1,
12 2015.

13 Q. Is -- the stipulation and your testimony
14 is quite similar. The stipulation says the MTR rider
15 will cease to exist with the June 1, 2015, billing
16 cycle. Does that mean -- and as I understand it, the
17 MTR has an over/underrecovery provision in it; is
18 that right?

19 A. That's correct. The MTR has a quarterly
20 kind of true-up reconciliation.

21 Q. Is the -- would there be a true-up after
22 the June 1, 2015, billing cycle?

23 A. As I read the stipulation, I do not
24 believe there would be because the rider ends so

Page 14

1 there wouldn't be any final reconciliation.

2 Q. Okay. Why are schools that are GS-1 or
3 GS-2 tariff-scheduled customers exempt from the MTR?

4 A. It was just an agreed upon term of the
5 stipulation.

6 Q. What impact on schools does the exemption
7 from the MTR have? What's the impact on their rates?

8 A. I haven't done a specific calculation,
9 but I guess the easiest thing to do would be to look
10 at what the MTR rates are for GS-1 and GS-2 for CSP
11 and OP is shown in Exhibit DMR-3.

12 Q. On Exhibit DMR-3 you are not using the
13 shorthand of GS-1 or GS-2 so which category would
14 they be falling into?

15 A. Sure. General service small is GS-1.
16 For CSP general service low load factor is GS-2 for
17 CSP. General service nondemand meters is GS-1 for
18 OPCo. General service low load factor is GS-2 for
19 OPCo.

20 Q. So for those GS-1 and GS-2 customers
21 under the MTR, what is -- what is the impact on those
22 customers, the MTR? It looks like the MTR increases
23 their rates; is that right?

24 A. For CSP GS-1 and GS-2 customers for all

Page 15

1 periods the MTR is a charge. So exemption from that
2 would be a benefit.

3 Q. Okay. There's a -- again, with the MTR
4 there is a reference in the stipulation that it will
5 be designed to produce a net charge of \$6 million
6 quarterly until the end of 2012 or until

7 securitization is completed, whichever is earlier.
8 Is -- am I -- am I reading that that it can't -- this
9 net charge of \$6 million quarterly has a -- has a
10 maximum of \$24 million?

11 MR. CONWAY: Objection, form. What
12 period?

13 MR. LANG: It's actually part of the
14 question.

15 Q. Yeah, you can answer.

16 MR. CONWAY: Go ahead.

17 A. For -- it's 6 million quarterly during
18 2012 or until securitization, whichever is earlier,
19 so the most it can be in 2012 is roughly 24 million
20 subject to any slight over/underrecovery which would
21 be reflected in the quarterly reconciliation of '13.

22 Q. Okay. And then if securitization is
23 completed in, let's say, July of 2012, what impact
24 does that have on the net charge?

Page 16

1 A. Obviously for the first two quarters it
2 would be a \$6 million net charge. If it happened in
3 July, 2012, it would probably depend on what day and
4 all that of the month as far as when the -- you know,
5 what the effect would be on the third quarter.

6 Q. In terms of the effect on the third
7 quarter, how would you understand that would happen?

8 A. Based on your hypothetical of July, '12,
9 one possible way it could be addressed is it's \$2
10 million for July and nothing further for August and
11 September so that quarter would just be 2 million,
12 and it would be zero in the fourth quarter.

13 Q. You are contemplating some kind of
14 proration if the -- you know, if the securitization
15 date falls within -- falls within one of the
16 quarterly periods?

17 A. That's the way I would think about it.

18 Q. Okay. Is -- is the way that you are
19 thinking about it in the language of the stipulation?

20 A. It seems kind of implicit in there. I
21 don't know that there is any, you know, specific
22 calculation spelled out in the stipulation.

23 Q. Okay. I am going to ask you a few
24 questions about fuel and the FAC. Got the wrong

4 (Pages 13 to 16)

Page 17

1 page. In your Exhibit DMR-1 you have an AEP Ohio
2 rate of fuel adjustment clause 2012 rates with
3 proposed ESP of \$3.31. Can you tell me and is there
4 a workpaper that you used or that shows the
5 calculation of that \$3.31?

6 MR. CONWAY: Mr. Lang, could you for my
7 benefit just give me the reference again where you
8 are.

9 MR. LANG: Yeah. It's Exhibit DMR-1 and
10 it's page 1, the column is to the right which is the
11 "2012 rates with proposed ESP."

12 MR. CONWAY: Okay.

13 MR. LANG: At the bottom of the FAC
14 column, it's \$3.31.

15 A. Sure. The workpaper is workpaper DMR
16 page 55 of 145.

17 Q. Is it this one? Is this a different one?
18 I think that looks familiar.

19 A. That appears to be the correct page, just
20 not labeled.

21 Q. I think I printed it off from your Excel
22 file. That's why I don't have a page number but.
23 Okay. So there is a workpaper that's titled "2011
24 FAC Rate Development and FAC Rate Phase In Rider."

Page 18

1 That \$3.31 is where?

2 A. It is computed based upon the rates shown
3 in the bottom right-hand corner of that workpaper if
4 you are holding it landscape. Basically there is
5 rates shown there 3.377, 33 cents per kilowatt for
6 secondary voltage, and then there are rates for
7 primary voltage and subtran voltage.

8 MR. CONWAY: Which workpaper page are you
9 on?

10 THE WITNESS: Workpaper DMR page 55.

11 A. And if you apply those rates to the usage
12 and add all the various voltage models in some of my
13 various workpapers, that's where the weighted average
14 of 3.31 cents per kilowatt hour comes from.

15 Q. And then on your Exhibit DMR-2, page 1,
16 you have a fuel number which looks like it also came
17 from that workpaper. It is the -- it's the secondary
18 voltage fuel number; is that right?

19 A. At the bottom of Exhibit DMR-2, page 1?

20 Q. Yes.

21 A. That's correct.

22 Q. Why -- why are you using a different fuel
23 number on DMR-1 as opposed to DMR-2?

24 A. Because if you -- DMR-1 is kind of a

Page 19

1 composite view. DMR -- did I say that correctly?

2 DMR-1 is kind of a composite view. DMR-2, if you
3 turn to page 2 of 3, I start with a secondary rate
4 and then apply a loss factor to get the primary and
5 subtransmission rate in a consistent way with how I'm
6 coming up with the lost adjusted fuel factor that are
7 on DMR page 55, WP DMR page 55.

8 Q. Okay. And the fuel estimates I think it
9 actually says -- yeah, that fuel estimate it says on
10 this workpaper is the -- it's the forecast for July,
11 August, and September, 2011, that was filed in this
12 separate case, 11-281; is that right?

13 A. That's correct and that's what the
14 workpaper says too.

15 Q. Okay. So that's the -- so the fuel --
16 the fuel cost at this point you use both in DMR-1 and
17 DMR-2 is the fuel cost estimate for July, August, and
18 September of 2011.

19 A. That's correct. That's the most recent
20 approved forecast.

21 Q. And then is the -- and the same would
22 hold true for your DMR-5?

23 A. That is true for the proposed side of
24 DMR-5 as spelled out on workpaper page 145.

Page 20

1 Q. That's the assumption page I have, okay.

2 That's all right. So it's not -- it's not in the
3 current typical bills; it's in the proposed typical
4 bills, that fuel cost assumption.

5 A. That's correct.

6 Q. Okay. Do you believe that that fuel
7 forecast, fuel price forecast, is a reasonable
8 assumption to use for the period 2012 through 2014?

9 A. Yes. I believe it's the best one I had,
10 and I don't have any opinion on where fuel prices are
11 going, up or down.

12 Q. Okay. And thus in your -- in your rate
13 impact -- your rate impact exhibits you held rider
14 FAC constant for the term of the electric security
15 plan; is that right?

16 A. On the proposed side for the first three
17 years and five months of the ESP, I didn't do
18 anything for the last year.

19 Q. Okay. And you didn't do anything for the
20 last year because the last year is SSO through a
21 competitive bidding process?

22 A. Yes.

23 Q. The -- so you said the fuel estimates
24 from that -- from case 11-281 were the best forecasts

5 (Pages 17 to 20)

Page 21

1 you had. Did you ask internally within AEP Ohio for
 2 any AEP Ohio fuel forecasts for the period January,
 3 2012, through May, 2015?
 4 A. I don't recall specifically asking.
 5 Q. Okay. I want to show you, I just have
 6 this one copy of it, this is an interrogatory
 7 response to FirstEnergy Solutions. It's actually in
 8 response to FirstEnergy Solutions first interrogatory
 9 in this case. And you'll see under INT-001(a), lower
 10 case a, it's asking for any estimates of revenues
 11 relating to the fuel adjustment clause or FAC. Do
 12 you see that?
 13 A. Yes, I do.
 14 Q. And the response is to see a confidential
 15 attachment which is on the next page. To keep our --
 16 to keep our record clean, I am not intending to use
 17 those numbers because otherwise we would have to seal
 18 a portion of the transcript. But I just want to ask
 19 you have you -- have you seen these fuel revenue
 20 numbers that are -- that are on this exhibit? And
 21 this is actually labeled in the corner "Deposition
 22 Exhibit No. 3" from the Thomas deposition. So have
 23 you seen those fuel numbers previously?
 24 A. Yes, I have.

Page 22

1 Q. Were you -- did you have any involvement
 2 in preparation of those fuel revenue forecasts?
 3 A. No.
 4 Q. Okay. When was the -- when was the first
 5 time that you saw these -- these fuel revenue
 6 numbers?
 7 A. I don't know an exact date. It was
 8 sometime after they were provided in discovery.
 9 Q. Okay. Do you know whether it was before
 10 you filed your supplemental testimony, your
 11 stipulation testimony in this case a few weeks ago?
 12 A. Yes, it was.
 13 Q. Do you have -- that's fine. Do you
 14 know -- do you know whether the -- the fuel revenue
 15 numbers reflected in AEP's response to FES
 16 Interrogatory 1(a) are consistent with the fuel
 17 revenue numbers that you used for purposes of
 18 reflecting the cost of the FAC on customers in your
 19 exhibits?
 20 MR. CONWAY: Could I have the question
 21 read back.
 22 MR. LANG: All right.
 23 MR. CONWAY: Did you use the word
 24 "consistent"?

Page 23

1 MR. LANG: Consistent.
 2 MR. CONWAY: Not the same?
 3 (Question read.)
 4 MR. CONWAY: I'll object to the form of
 5 the question. I think it's vague.
 6 A. They are not the same numbers.
 7 Q. This interrogatory response has forecasts
 8 for 2012, 2013, and 2014, correct?
 9 A. Has values for calendar '12, calendar
 10 '13, and calendar '14.
 11 Q. Is there a reason why you did not use the
 12 values in this interrogatory response in preparing
 13 your testimony?
 14 A. Yes.
 15 Q. What is the reason?
 16 A. I would use the most recently approved
 17 forecast number that was available to me.
 18 Q. And by most recently approved you mean
 19 most recently approved by the Commission in that
 20 Commission case that you reference?
 21 A. Correct.
 22 Q. And that was the most recently approved
 23 rate for three months in 2011, correct?
 24 A. Correct.

Page 24

1 Q. Is it your understanding the rate
 2 approved for those three months in 2011 is fairly
 3 representative of where fuel costs will be in 2012,
 4 2013, or 2014?
 5 A. I have no idea.
 6 Q. Do you believe it's reasonable to use
 7 costs that have been approved for three months in
 8 2011 -- let me start the question over.
 9 In attempting to show a fair
 10 representation of fuel costs on customers in, say,
 11 2014, do you believe that it's reasonable to use the
 12 fuel rate that's approved for 2011 instead of AEP's
 13 fuel forecast for 2014?
 14 A. Yes, I do and I clearly identified both
 15 my assumptions and the methodology for the
 16 comparisons I provided.
 17 Q. By clearly identifying the assumption
 18 that you made with regard to fuel, is the -- is --
 19 was it your intent to show that the fuel number you
 20 are carrying through your rate impacts is not a
 21 forecasted number?
 22 MR. CONWAY: Could I have that reread.
 23 (Question read.)
 24 A. No. The number I am carrying through is

6 (Pages 21 to 24)

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1 actually a forecasted number, but it's a forecast
 2 from July through September of '11.
 3 Q. Okay. But it's not a forecasted number
 4 for 2014, correct?
 5 A. That is correct.
 6 Q. And it is not a forecasted number for
 7 ~~2012~~, correct?
 8 A. That is correct.
 9 Q. And it's not a forecasted number for
 10 2014, correct?
 11 A. That is correct. It's a forecast number
 12 for July to September, 2011.
 13 Q. On the FAC workpaper in the first row of
 14 that -- the work -- of the schedule at the top the
 15 row is Total FAC Rate per metered -- Metered kWh, and
 16 for under Columbus Southern Power the secondary
 17 column there is a number 3.592. In the -- in the
 18 formula in your spreadsheet it shows that that was
 19 calculated by dividing 659,091 by 183,490. Can you
 20 tell me what those two numbers are?
 21 A. Can you repeat the two numbers?
 22 Q. Actually I can help you out if you can
 23 read my handwriting.
 24 MR. CONWAY: These two?

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1 MR. LANG: Yeah.
 2 THE WITNESS: Yeah. It's empty, thank
 3 goodness.
 4 MR. CONWAY: And the question is again?
 5 MR. LANG: What those two numbers
 6 represent.
 7 MR. CONWAY: The two that are in a -- in
 8 handwritten form?
 9 MR. LANG: They are in the formula in
 10 that spreadsheet.
 11 MR. CONWAY: And the formula is embedded
 12 in the spreadsheet?
 13 MR. LANG: Correct.
 14 A. I don't recall for certain, but first
 15 blush it appears like one is a dollar amount and one
 16 is a kilowatt hour amount or megawatt or gigawatt
 17 hour.
 18 Q. Okay. On your Exhibit DMR-2, the first
 19 page, at the top of that first page, there is several
 20 rows of market-shaped rates. What is the derivation
 21 of the market-shaped rates of DMR-2, page 1?
 22 A. Basically the derivations or calculations
 23 are shown on WP DMR pages 56, 57, and 58.
 24 Q. So asking you about -- so this would be

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1 page 5 of your workpapers that we are looking at?
 2 A. That's correct.
 3 Q. And then that looks like the summary and
 4 then I think it's on page 5, yes, there is a --
 5 there's a buildup of market prices that looks similar
 6 to what is in Laura Thomas's -- Laura Thomas's
 7 testimony. Can you ~~identify~~ for me where this
 8 buildup of market prices comes from?
 9 MR. CONWAY: It's on WP 57.
 10 THE WITNESS: WP DMR page 57.
 11 A. Basically it's a calculation consistent
 12 with the calculations that Witness Thomas had done
 13 but using the class load shapes instead of company
 14 load shapes.
 15 Q. And by consistent with what Ms. Thomas
 16 did does that mean that she provided you the starting
 17 data for this analysis and then you reshaped it?
 18 A. No, I didn't do the computations
 19 personally.
 20 Q. Who -- who did the -- who did personally
 21 do the computations?
 22 A. I don't know for certain. It was someone
 23 in our -- I believe our structuring organization.
 24 Q. Is -- is this information as far as you

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1 know data that was done in the structuring
 2 organization and then provided both to you and to
 3 Ms. Thomas?
 4 A. I believe so, but you probably want to
 5 double-check with Ms. Thomas on that.
 6 Q. Is the market price data you use here the
 7 market price data that Ms. Thomas used in -- in her
 8 testimony supporting the stipulation?
 9 A. That's my understanding, yes.
 10 Q. Do you remember when you received this
 11 data?
 12 A. It was either August or September. I
 13 don't recall.
 14 Q. Okay. Do you know what the basis is for
 15 the capacity prices that are on page 57 of your
 16 workpapers?
 17 A. My understanding is it's \$255 per
 18 megawatt day.
 19 Q. Okay. Do you have -- do you happen to
 20 have Ms. Thomas's testimony?
 21 A. Nope.
 22 Q. Let me show you. I am going to put page
 23 1 of Exhibit LJT-1 in front of you. The market price
 24 worksheet that we have been looking at, is this

7 (Pages 25 to 28)

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1 for -- is this for -- I guess data that was used for
2 2012?

3 A. I've lost my page.

4 MR. CONWAY: Are you asking questions
5 about LJT-1 now?

6 MR. LANG: I'm not quite there yet. I'm
7 asking about the page 57 of ~~his~~ workpapers.

8 A. WP DMR 57. I don't recall whether it's
9 2012 only or 2012 through May of 2015. I don't
10 recall. It's one or the other.

11 Q. Okay. This is the LJT-1 and if -- if you
12 know, I see the -- the simple swap price that she is
13 using is different than the simple swap price that
14 you are using. You have \$40.59. She's at 40.18. Do
15 you know -- for 2012. Do you know why there is a
16 difference?

17 A. No.

18 Q. Is it possible that you used these simple
19 swap prices from the January testimony?

20 A. It's possible. I don't know for sure.

21 Q. Is it fair to say you were given this
22 data on market prices and you relied on this data?

23 A. I relied on the relationships based on
24 this data.

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1 Q. Is it fair to say that as the simple swap
2 price and capacity price in this data change that
3 that can also change the relationships as -- which is
4 what -- the relationships of the prices between the
5 customer classes?

6 A. It's possible.

7 Q. Do you know?

8 A. It's not guaranteed but it's possible.

9 Q. Okay. Do you know whether if you change
10 the capacity price, you know, use a higher price or a
11 lower capacity price, do you know whether that would
12 change the relationships between the customer classes
13 that's -- that's calculated as a result of this data?

14 A. It depends on how the changes take place.
15 It depends on the change and whether it does change
16 the relationship or not. I can't say for certain one
17 way or the other for all circumstances.

18 Q. You said you believe that the capacity
19 pricing used in your workpapers relates to the \$255
20 per megawatt day. Why do you have that belief?

21 A. Because that's what I asked for.

22 Q. Okay. What specifically did you ask for?

23 A. The updated market price based on \$255
24 megawatt day.

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1 Q. And do you know how the other price
2 components were calculated?

3 A. Not -- no, not in any detail, just that
4 they were calculated.

5 Q. Do you know if they're consistent with
6 Ms. Thomas's approach to calculating market prices?

7 A. The methodology is consistent, yes.

8 Q. But the -- the actual numbers themselves
9 may be different?

10 A. Well, we just discussed it appears the
11 simple swap number is different.

12 Q. When we -- go back.

13 Your -- going back to your Exhibit DMR-2
14 and the -- you had a very similar exhibit in your
15 original testimony that I asked you about in your
16 deposition. And the -- the market-shaped rates, the
17 residential rate, the GS-1 rate that we have been
18 talking about for several minutes about how they were
19 calculated, in your testimony filed in this case in
20 January those market-shaped rates for residential and
21 GS-1 were quite a bit higher, you know, instead of --
22 the residential rate instead of being 80 I think was
23 approximately \$92. Is -- can you explain what has
24 changed with regard to market -- the market-shaped

Page 32

1 rates between your January testimony and this
2 testimony?

3 A. Yes. I mean, the main difference would
4 be the capacity rate assumption which in my original
5 testimony was based upon the company's rate as --
6 rates as filed in the 10-2929 case and are now in my
7 stipulation testimony based on \$255 --

8 Q. Okay.

9 A. -- a megawatt day.

10 Q. You said that was the main one. Are
11 there -- are there other -- other variables?

12 A. I think there are flow-through impacts of
13 that change in some of the other components.

14 Q. Okay. Also on DMR-2 the -- you have a
15 ratio of 84.275 percent. Please explain what that
16 is.

17 MR. CONWAY: Where are you looking at,
18 Mr. Lang?

19 MR. LANG: It's about two-thirds of the
20 way down. It's kind of to the right where it says
21 "ratio to meet stipulated increase."

22 MR. CONWAY: This is on page 2 of 3?

23 MR. LANG: Page 1 of 3, DMR-2.

24 MR. CONWAY: Okay.

8 (Pages 29 to 32)

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1 A. Basically that is the ratio that has to
2 be applied to the rates shown in the section
3 market-shaped rates adjusted for transmission to
4 compute the rates shown in the bottom section of the
5 page, tariff total generation rates first year, to --
6 so that when those rates less fuel are applied to the
7 billing units, they produce the stipulation level of
8 base generation revenues.

9 Q. So you're taking the market-shaped rates
10 suggested for transmission, I guess the first example
11 is residential \$78.33, you're multiplying that by
12 that percentage and then that gives you the result.
13 I guess in doing the conversion to cents you end up
14 with the .0661831?

15 A. Actually dollars, .0661831.

16 Q. Dollars, yeah, okay.

17 A. And then you deduct fuel and that leads
18 to Exhibit DMR page 2 in the base generation rates
19 which when multiplied times the billing units produce
20 the stipulated base generation rate realization.

21 Q. If you used a higher fuel number in this
22 calculation on DMR-2, would that mean that the 2012
23 base generation rates going on to page 2 would be
24 lower?

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1 A. I haven't done the math, but logically
2 under the stipulation the answer would be no.

3 Q. Okay. Why is that logical?

4 A. Because the stipulation establishes a
5 level of base generation rates and the rates -- the
6 base generation rates have to produce that level of
7 realization so if you raise the fuel as shown on
8 Exhibit DMR-2, page 1, you'd raise the percentage
9 that we were just talking about, the ratio to meet
10 stipulated increase from the 4.275 to some other
11 number.

12 Q. Okay. Just below and a little to the
13 right of that ratio number on the first page of DMR-2
14 where it says \$24.5, is that -- is that the
15 stipulation -- I guess the authorized stipulation
16 rate for 2012?

17 A. It's \$24.50 a megawatt hour or in the
18 stipulation it's expressed as dollars, .0245 per
19 kilowatt hour.

20 Q. Okay. Then similar -- similarly down
21 below that where it says 25.7 and 27.2 for the second
22 and the third year respectively, that's -- those are
23 the 2013 and 2014 stipulation values; is that right?

24 A. Right. These are expressed -- that's

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1 correct. These are expressed in dollars per megawatt
2 hour instead of dollars per kilowatt hour.

3 Q. In the percentages to the right of where
4 it says "second year increased percentage, third year
5 increased percentage," the 4.978 percent, is that --
6 is that simply what the increase is from the first
7 year to the second year for the base generation?

8 A. Yes, that's the percentage increase in
9 base generation rates from first year to second year.

10 Q. And then for the third year there is an
11 increase of 5.705 percent?

12 A. And that's the increase in base
13 generation rates from year two to year three.

14 Q. Okay. Are the market-shaped rates toward
15 the top of the first page of Exhibit DMR-2, are those
16 market-shaped rates intended to be representative of
17 rates available for similar products in the
18 competitive marketplace?

19 A. It depends on your definition. They are
20 not intended to -- to mimic what a CRES provider may
21 or may not offer. They are intended to kind of
22 compute an underlying market price consistent.

23 Q. You said it's not what a CRES would
24 offer. Do you mean that it's intended to be -- to

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1 represent wholesale market prices?

2 A. For the most part, although I believe it
3 does have a retail admin charge that is included, but
4 it's not intended to contemplate or get into the head
5 of how a CRES provider might offer -- make a unique
6 offering. It's just kind of plain vanilla.

7 Q. Uh-huh. All right. Are the
8 market-shaped rates here indicative of a particular
9 time period?

10 A. I think we covered that earlier, and I
11 didn't recall whether it was just calendar '12 or
12 calendar '12 through '15. I still don't recall.

13 Q. Rider GRR which is referenced in the
14 stipulation, do you have an estimate of the costs
15 that would be included in rider GRR during the ESP
16 stipulation time period?

17 A. No, I do not because any amounts would be
18 subject to approval in separate cases --

19 Q. Okay.

20 A. -- which haven't happened yet. The only
21 thing I have was what was in my previously filed
22 supplemental testimony in this proceeding for Turning
23 Point, and I computed in that a -- I believe -- I
24 can't remember, I think it was a 2013 estimate, if I

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1 remember correctly.

2 Q. I think that's right. Is the -- and the
3 2013 at this point that you've calculated was based
4 on I believe it was Mr. Nelson's supplemental
5 testimony; is that your understanding?

6 A. That's what I remember, yeah.

7 Q. Is -- can you explain why you did not use
8 the Turning Point cost estimates included in
9 Mr. Nelson's supplemental testimony as the best
10 estimate of the costs of the rider GRR?

11 A. Sure, because there's no -- nothing in
12 this proceeding approves Turning Point, and until
13 that other proceeding occurs and whatever outcome
14 happens there, I don't think it's appropriate to
15 include here.

16 Q. So is it your understanding that the
17 Turning Point Project and the Muskingum River 6
18 project are not components of the stipulated ESP?

19 MR. CONWAY: Can you read that question
20 back for me.

21 (Question read.)

22 A. No. I wouldn't agree with that. I think
23 they are components of the stipulated ESP, but the
24 stipulated ESP says that they are subject to approval

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1 in a separate proceeding. That's the way I read it.

2 Q. Because Turning Point is a component of
3 the stipulated ESP, if the Commission approves cost
4 recovery for Turning Point in that separate
5 proceeding, would you consider those costs, those
6 costs that are approved, to be part of the costs of
7 the ESP?

8 A. No.

9 Q. So your distinction is Turning Point is a
10 component of the stipulated ESP, but the costs of
11 Turning Point are not; is that correct?

12 A. My position is that any approval of any
13 cost recovery for Turning Point is not part of this
14 stipulation.

15 Q. And the same goes for Muskingum River 6?

16 A. Yes.

17 Q. Is there any benefit to AEP Ohio
18 including references to Turning Point, the Turning
19 Point Project in the stipulation?

20 A. I don't know.

21 Q. On your Exhibit DMR-4 with regard to the
22 generation resource rider, you -- you identify as
23 modified by stipulation. How is it modified?

24 A. Specifically I recall it was limited to

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1 only potentially include during the term of the ESP
2 Turning Point and Muskingum River 6. There wasn't
3 such a limitation in the company's original filing.
4 That's the modification that comes to mind
5 immediately.

6 Q. Okay. Anything else?

7 A. I can't think of anything else at this
8 time.

9 Q. In your testimony did you have to assume
10 levels of shopping?

11 A. The only place where I can see I assumed
12 levels of shopping would be in the 2012 big units
13 which were based upon the forecasts which I
14 originally used in this proceeding.

15 Q. So that's the -- is that the left side of
16 DMR-1 or which -- where would I find that?

17 A. It's -- I guess it's implicit in DMR-1,
18 and then it's used in detail in WP DMR 1 through at
19 least 52 and probably beyond.

20 Q. Okay. And why would you need to make a
21 shopping assumption for the calculations you are
22 performing on that workpaper?

23 A. It was strictly to allow me to have
24 billing units to multiply times SSO rates, so for the

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1 ESP I used projected 2012 billing units to do all of
2 the calculations. You know, beyond that really, you
3 know, whatever actually happened shoppingwise doesn't
4 impact my calculations.

5 Q. Okay. So for those 2012 calculations
6 you -- to get to your billing rates you -- you're
7 estimating the -- the standard service offer load as
8 compared to total load.

9 A. Right, because what I want to present --
10 what I want to present in Exhibit DMR-1 is the impact
11 on SSO customers --

12 Q. Okay.

13 A. -- because when you try to do
14 combinations of SSO and shopping load, then you
15 really get weird arithmetic results.

16 Q. I want to ask you a few questions about
17 the post-merger rate schedules. And I think we -- I
18 have got to ask, discussed this a little bit earlier,
19 is that post-merger you are going to have the Ohio
20 Power and the Columbus Southern tariffs combined into
21 one; is that correct?

22 A. Not quite. I guess there would be, you
23 know, post-merger will be a single legal entity which
24 we talked about is probably Ohio Power Company. But

10 (Pages 37 to 40)

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1 there will still have to be separate rate areas for
2 the Columbus Southern Power rate area and the former
3 Ohio Power rate area. So there will have to be
4 separate tariff -- tariff sheets for their
5 residential or all their tariffs.

6 Q. And then the -- I guess the generation
7 tariffs would be the same? You wouldn't have
8 separate rate schedules for generation; is that
9 right?

10 A. The base generation rates would be the
11 same for both rate areas. The FAC would be the same
12 for both rate areas. And the AER would be the same
13 for both rate areas, so yes.

14 Q. And transmission would be the same?

15 A. Yes. Under paragraph IV.3 effective
16 January, '12, CSP and OPCo's transmission rates would
17 be consolidated.

18 Q. Will the availability of service for the
19 rate schedules be consistent between the two
20 companies post-merger?

21 A. No, because it's not consistent
22 currently.

23 Q. Okay. So is that the -- the provision, I
24 think it's close to where you were reading in the

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1 stipulation, the provision about keeping separation
2 between Columbus Southern and Ohio Power for
3 distribution purposes, that would include the
4 availability of service in -- in those operating
5 companies' current tariffs; is that your
6 understanding?

7 A. That's correct, except for, you know, the
8 tariffs we've discussed previously that are being
9 eliminated and the limitation on rider IRP-D.

10 Q. Is the current availability of service
11 for each general service rate schedule based on a
12 customer's load factor?

13 A. No.

14 Q. Are there any -- currently any load
15 factor criteria for a GS-1 customer at Columbus
16 Southern?

17 A. No.

18 Q. And same question for Ohio Power?

19 A. No.

20 Q. In Ohio Power's GS-2 which is called
21 general service low load factor, what is meant by
22 "low load factor"?

23 A. It's purely descriptive of the type of
24 customer that generally would benefit from that rate.

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1 Q. So there is not a -- there's not a
2 particular cap or limit related to the customer's
3 actual load factor that -- that is, you know, that is
4 a requirement to taking service under that schedule;
5 is that right?

6 A. No. There's no explicit load factor cap
7 or it's more implicit in the generally lower load
8 factor customers' bills are cheaper under that tariff
9 than the medium or medium high load factor tariff for
10 the -- for CSP or OP.

11 Q. So the -- under that GS-2 schedule
12 general service low load factor, that's descriptive
13 that a general service customer with a load -- low
14 load factor would -- would -- well, strike that
15 question. Don't need to go down that road.

16 A. Is it okay if I get a soda?

17 MR. CONWAY: Let's take a 5-minute break.
18 It's been an hour and a half.

19 MR. LANG: Absolutely. I don't have that
20 much more.

21 THE WITNESS: I'm okay to continue if I
22 just grab a can of soda.

23 MR. LANG: Okay. If there are people
24 that are on the phone, we are not taking a 5-minute

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1 break.

2 MR. ETTER: This is Terry Etter, OCC. I
3 have been on for about an hour and 15 minutes.

4 MR. LANG: Hey, Terry.

5 THE WITNESS: And that is a Coke, not a
6 beer for those on the phone.

7 MR. CONWAY: Speak for yourself.

8 THE WITNESS: Sorry. Thanks.

9 Q. For the other general service schedules
10 are there any specific load factor requirements or
11 criteria to qualify for service under those
12 schedules?

13 A. No.

14 Q. Okay.

15 A. Can I throw away the discovery now?

16 Q. Throw away the discovery?

17 A. That asked those same questions?

18 Q. I'm not sure I've read it. There's a lot
19 of discovery requests out there as you guys full well
20 know.

21 At page 14 of your testimony, lines 14
22 and 15, is -- you're generally discussing the
23 competitive bid process that will start June, 20 --
24 to meet the obligation starting June, 2015, and at

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1 the end of that paragraph you say additional tariffs
2 and riders will be required to implement the
3 provisions of the stipulation paragraph IV.1.r. What
4 additional tariffs and riders will be required?

5 A. I don't know for certain until the
6 stakeholder process is completed. But I figure
7 some -- I anticipate some form of a GSR-type rider
8 will be needed. There may need to be an
9 uncollectible rider. There may need to be a rider to
10 address defaults. I am sure there are others I am
11 not thinking of because we are not through the whole
12 stakeholder process in the CBP development.

13 Q. Does the -- does the FAC rider continue
14 after May, 2015?

15 A. I believe the stipulation addresses
16 that's a possibility in that context of, I believe,
17 the GRR.

18 Q. I was hoping you could explain that to
19 me. I think your reference is on page 8 in paragraph
20 M.

21 A. Yes, yes, that's correct. To me it's a
22 provision that sets out the possibility that the fuel
23 related to GRR assets may run through a modified FAC
24 mechanism and instead of the GRR rider but not

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1 knowing for sure what the Commission may ultimately
2 order in those other proceedings.

3 Q. Okay. Yeah. I was trying to understand
4 whether this actually is talking about a separate FAC
5 rider continuing after May 31, 2015, or whether it's
6 going to be folded into the GRR and so those -- those
7 fuel costs would just be included in the GRR. Is
8 that -- do you know at this point -- I guess at this
9 point you don't know which one it will be.

10 A. Correct.

11 MR. CONWAY: The answer is yes.

12 Q. The answer is yes. So you can't explain
13 it to me.

14 MR. CONWAY: Au contraire.

15 MR. LANG: At this point it's not one or
16 the other. It hasn't been decided. I was hoping he
17 would be able to explain to me that it was one or the
18 other.

19 MR. CONWAY: He has hasn't been appointed
20 chairman yet.

21 MR. LANG: Yes.

22 MR. CONWAY: Of the Commission, not the
23 company, nor of the company.

24 MR. LANG: I understood.

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1 Q. Do you know whether AEP Ohio has a
2 preference?

3 A. I have no idea.

4 Q. For you as the rate design person, do you
5 have a preference?

6 A. I do what the Commission tells me to.

7 Q. Right. But in terms of ~~separate recovery~~,
8 does one make more sense as compared to the other?

9 A. I don't know that I've thought it all the
10 way through but.

11 Q. Okay. Has AEP Ohio projected the level
12 of rider TCRR for the term of the ESP?

13 A. No, not to my knowledge. The only thing
14 we have is the projections that were included in our
15 most recent TCRR filing back in March, April which
16 I'm -- I don't even remember the projection period
17 for that. I think it might have been -- might have
18 been July to June, July, '11, to June, '12. I don't
19 remember the exact period but that's the only one I
20 can -- I am aware of.

21 Q. And is that the transmission cost number
22 that you used in your rate impacts?

23 A. No. I don't think I changed it from what
24 I originally had in here.

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1 Q. Okay. So you -- you continued to use
2 what you had from your January filing?

3 A. Correct.

4 Q. Okay. Going back to the assumptions
5 page, this page.

6 A. Workpaper DMR 145?

7 Q. Yep. Under "current typical bills
8 reflect," it says "SEET rider for CSP not included."
9 Why is that -- why was the SEET rider for CSP not
10 included on current typical bills?

11 A. I didn't include it because it's going to
12 expire at the end of this year.

13 Q. And so your -- the -- and then two lines
14 below that you say "phase in recovery rider on OP,"
15 Ohio Power only. What's -- what's that a reference
16 to?

17 A. Basically absent the merger and -- absent
18 the merger and absent approval of the merger, in
19 other words, an approval of the stipulation phase in
20 recovery rider would only apply to Ohio Power.

21 Q. Okay. And so are you using the phase in
22 recovery rider value for -- that would exist for Ohio
23 Power in 2012?

24 A. That is correct.

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1 Q. Okay. There's -- there's not a value for
2 2011 because it hasn't been put in place yet,
3 correct?

4 A. Correct.

5 Q. Okay. I understand. I am going to put
6 back in front of you again Exhibit LJT-2, Laura
7 Thomas -- which is Laura Thomas's calculation of the
8 market rate offer price test. In this calculation
9 are there components of this, and particularly with
10 regard to the generation service price, that are
11 prices that you provided to Ms. Thomas?

12 A. For example, you mean Exhibit LJT-2, page
13 1, column 1, 2, and 3 all match workpaper DMR page
14 68.

15 Q. So that's what's labeled the 2011 base
16 ESP g rate?

17 A. That's correct.

18 Q. Okay.

19 A. And the 2011 full fuel, total generation
20 service price. So my workpaper and her exhibit
21 match, but primarily I would have been giving her the
22 base g components, and then I believe she is
23 weighting them.

24 Q. Okay. That's what I wanted to -- did

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1 she -- okay. Are these values that you specifically
2 provided to Ms. Thomas that she used in her
3 testimony?

4 A. If you go to, I guess, page 10 of my
5 testimony, I talk about where I provide information
6 to Ms. Thomas. I believe I provided her the proposed
7 base generation prices. You add to that the forecast
8 FAC costs and make the TCRR generation component
9 adjustment so, yes, looks like I provided her the
10 information for line 1 of her Exhibit LJT-2, thank
11 you, page 1.

12 Q. Did you also provide what's on line 15,
13 the stipulation ESP price?

14 A. Yes.

15 Q. Okay. Are there any other rows of her
16 LJT-2 that were provided by you?

17 A. The main one was the stipulation ESP
18 price on line 15. I think I gave her as we discussed
19 earlier the 2012. 2011 is base ESP g rate and I
20 think those are the main things I provided
21 Ms. Thomas. And for some of these I think we were
22 kind of back and forth between the two of us but were
23 in sync as far as the values so that's why I'm a
24 little fuzzy.

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1 Q. Okay. I wanted to revisit one -- one
2 topic that we had talked about. We were talking
3 about the \$6 million quarterly for the MTR in 2012.
4 Do you know what the purpose is of the \$6 million,
5 that \$6 million of revenues?

6 A. It was just an agreed upon term of the
7 settlement.

8 Q. Is there -- is there any specific use of
9 those revenues provided for by AEP?

10 A. If you are asking me is that money
11 earmarked for something, that wouldn't even be my
12 call but not that I am aware of.

13 Q. Is the -- well, my last question was.
14 The \$10 shopping credit for the schools, I think your
15 testimony is that it's reflected in the -- in the
16 MTR; is that correct? Is it -- let me ask -- ask
17 that a different hopefully better way.

18 Is the \$10 shopping credit part of the
19 credits that are calculated for different customer
20 classes in the MTR?

21 A. The \$10 megawatt hour shopping credit,
22 the dollars related to that, plus the dollars
23 produced by the MTR rates, the net of that should
24 produce 6 million quarterly until the end of 2012 or

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1 securitization, whichever is earlier, and then zero
2 dollars thereafter. So in that manner it isn't asked
3 of -- asked for in the MTR.

4 Q. In practical terms is each customer -- is
5 each customer that qualifies for the credit getting a
6 separate credit, or is that credit embedded in the
7 market transition rider?

8 A. Any customer that qualifies for the \$10
9 megawatt hour credit I would expect would get a
10 separate line item on their bill.

11 Q. Separate from the MTR?

12 A. I would expect but I can't guarantee that
13 at this point.

14 MR. LANG: All right. Those are all the
15 questions I have. Would any attorney on the phone
16 like to ask questions?

17 MR. BONNER: Yes, Doug Bonner for Ormet
18 has a few questions.

19 MR. ETTER: Go right ahead. This is
20 Terry Etter of OCC. I will have a few as well.

21 THE WITNESS: Doug, would you mind before
22 we started if I took a really health break?

23 MR. BONNER: Sure.

24 THE WITNESS: Thank you.

13 (Pages 49 to 52)

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1 MR. LANG: Let's take a 5-minute break
2 now.

3 MR. BONNER: As long as I get one too.

4 MR. LANG: We'll wait for you to come
5 back. We'll go off the record.

6 (Recess taken.)

EXAMINATION

8
9 By Mr. Bonner:

10 Q. Mr. Roush, my name is Doug Bonner. I'm
11 with the law firm of SNR Denton in Washington, D.C.,
12 and I represent Ormet in this case.

13 I want to ask you a few questions about
14 the load factor rider portion of the stipulation, if
15 I may. Direct you to your September 13 testimony.
16 According to the stipulation -- on page 12, please,
17 if you could turn to that.

18 A. I'm there.

19 Q. Beginning at lines 10 through 14, you
20 state that "the load factor rider is a nonbypassable,
21 revenue neutral demand charge and energy credit"
22 available -- "applicable to all customers taking
23 service under standard service offer or open access
24 distribution service Schedule GS-2, GS-3, and GS-4

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1 having monthly peak demands of less than or equal to
2 250 megawatts"; is that correct?

3 A. Yes, that's correct.

4 Q. How many AEP Ohio customers have monthly
5 peak demands in excess of 250 megawatt per month?

6 A. I'm aware of only one.

7 Q. Would that be Ormet, my client? Are you
8 aware?

9 I didn't hear your answer. Or are you
10 thinking about it?

11 A. I'm just struggling with the answer
12 because we generally try not to identify customers'
13 specific information.

14 Q. Well, I understand but it's a matter of
15 record, isn't it, in this proceeding that Ormet has a
16 monthly peak demand of approximately 520 megawatts
17 and is the largest industrial user or ratepayer of
18 AEP Ohio?

19 A. Well, I believe I agree with your
20 statements. I'm not sure that the company -- I don't
21 recall the company making those statements in this
22 proceeding.

23 Q. Yeah, I recognize the company may not
24 have made those statements. I think it's certainly

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1 in the record elsewhere in the proceeding. You, for
2 example, may have read Mr. -- Witness Stephen Baron's
3 testimony? Did you review his testimony in support
4 of the stipulation?

5 A. Very cursory at the time because I was
6 very pressed at getting my own done.

7 Q. I understand. And you were a witness in
8 the -- you were a witness in the Ormet unique
9 arrangement proceeding before the Ohio Commission in
10 to '09, were you not?

11 A. No offense, sir, but I don't remember.

12 Q. You are not denying you testified as a
13 witness on behalf of AEP in the Commission's
14 consideration of Ormet's unique arrangement, are you?

15 A. No, I'm not denying it, sir. I'm not
16 denying it, sir, but I have been in so many
17 proceedings I just don't remember that one.

18 Q. Right. But you will agree with me for
19 the purpose of my question that Ormet is the largest
20 industrial user ratepayer of AEP Ohio in Ohio?

21 A. Yes, sir.

22 Q. Okay. And what is your understanding as
23 to why the monthly peak demand cap of 250 megawatts
24 or less was used for purposes of the load factor

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1 rider eligibility?

2 A. My understanding was it was just a term
3 agreed upon in the settlement.

4 Q. What -- what's your understanding of the
5 approximate current annual load requirements of the
6 entire GS-4 class of ratepayers?

7 A. In terms of kilowatt hours, sir?

8 Q. Kilowatt or megawatt hours, yeah, on an
9 annual basis.

10 A. Between the two companies roughly 12.2
11 billion kilowatt hours if I'm doing the math
12 correctly from workpaper DMR page 54.

13 Q. And can you translate that figure for
14 megawatt hours?

15 A. Sure, roughly 12.2 million megawatt
16 hours.

17 Q. You are a lot better at math, I am sure,
18 than I am. Thank you. So just to be -- I want to be
19 sure I got -- got this question answered, there are
20 no other AEP Ohio customers other than Ormet that
21 have a monthly peak demand of greater than
22 250 megawatts at the present time?

23 A. That's --

24 Q. That's correct?

14 (Pages 53 to 56)

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1 A. That's correct as far as retail
2 customers.

3 Q. Okay. Mr. Roush, it's true that
4 excluding Ormet from this load factor rider in the
5 stipulation will mean that Ormet will end up paying
6 approximately \$20 million per year more in
7 electricity rates than Ormet would pay if it was
8 included in the load factor provision?

9 A. I haven't done that math. Go ahead.

10 Q. I'm sorry. I didn't want to -- do you
11 want to finish your answer? Did you -- did AEP do
12 any calculations of any kind to determine what the
13 impact of the 250 megawatt cap on the load factor
14 rider eligibility would have on -- on its largest
15 industrial customer, Ormet?

16 A. There were calculations performed during
17 the course of the settlement discussion and provided
18 to Ormet.

19 MR. CONWAY: I think, Doug, one of the --
20 this is Dan Conway. One of the complications is the
21 discussions in the settlement meetings are
22 confidential and privileged in our view, and I think
23 that's about as far as I can let Mr. Roush go in
24 describing the contents of discussions.

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1 MR. BONNER: To be clear, I'm not asking
2 Mr. Roush to disclose any specific conversation that
3 may have occurred during our settlement negotiations.
4 Quite the contrary. I am just simply asking what
5 the -- specifically what the impact of this load
6 factor rider exclusion will have on my client's
7 electricity costs and that's certainly quite relevant
8 to the Commission's consideration of the stipulation
9 and its impact on -- on Ormet. I would ask -- I
10 would like to get an answer as to what the -- and the
11 witness has confirmed that specific calculations were
12 done as to what the rate impact would -- would --
13 will be on Ormet.

14 MR. CONWAY: Why don't we -- would you
15 mind just -- why don't you ask him, if you haven't
16 already, maybe you have, but if you can ask him what
17 the -- maybe you already did this, ask him what the
18 impact on Ormet would be in a dollars per year if the
19 load factor provision applied to Ormet that Ormet was
20 eligible for it as compared to not being eligible for
21 it. And then -- that would keep us out of the --

22 MR. BONNER: Asked in kind of a different
23 way but I will be happy to ask it this way.

24 MR. CONWAY: I don't know whether he

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1 knows but if you -- if you could ask --

2 Q. Can you answer that question specifically
3 if -- if the -- if the clause in the stipulation
4 specifically in paragraph IV.1.b were not to have the
5 qualifying language of GS-4 customers having monthly
6 peak demands of less than or equal to 250 megawatts
7 and, therefore, would apply to Ormet, what would be
8 the impact on Ormet's electricity rate or total
9 payment per year of electricity to AEP Ohio?

10 A. I don't think I can do the exact math on
11 the fly, but I can give you kind of a ballpark by
12 looking at WP DMR page 54.

13 Q. Which is attached to your testimony?

14 A. It's my workpapers.

15 MR. CONWAY: It's not attached to the
16 testimony, is it, Dave?

17 Q. It's part of your workpapers that are in
18 the record.

19 A. I think it was -- I think the workpapers
20 were provided in response to -- were they provided in
21 response to discovery?

22 MR. CONWAY: My understanding, Doug, this
23 is Dan Conway again, my understanding is that it's
24 not actually attached -- the workpapers are not

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1 attached to the testimony. The testimony has
2 Exhibits 1 through 5, and the workpapers are separate
3 backup paperwork that we furnished in discovery.

4 MR. BONNER: Okay.

5 MR. CONWAY: So he's given you the page
6 number from the set of workpapers which is a
7 collection of papers that's I don't know how many
8 pages long but it's 100 plus.

9 THE WITNESS: Mine is 145 and I don't
10 know what others are.

11 MR. CONWAY: So it's a stack of papers
12 150 pages.

13 MR. LANG: You sent out a disc too.

14 MR. CONWAY: And we provided it on disc,
15 and he's identified the page.

16 Go ahead, Dan.

17 THE WITNESS: It's page 54 of 145 of WP
18 DMR.

19 MR. CONWAY: WP stands for workpaper
20 obviously and DMR, Dave M. Roush.

21 MR. BONNER: Thank you.

22 A. So just to kind of rough -- rough justice
23 the number you are asking for there's roughly 4,000
24 megawatts of demand at 657 a megawatt -- or \$6,570 a

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1 megawatt, and there's roughly 2.8 million megawatt
2 hours at a credit of -- the credit shown on the
3 workpapers is .01545 but it would go down if Ormet --
4 the credit factor would go down if Ormet were
5 included. But if you kind of do that arithmetic,
6 you're 2,000 --

7 Q. And what -- what would be the total
8 electric rate impact to Ormet on an annual basis if
9 they were included in the current load factor rider?

10 A. That's where I'm -- I was just trying to
11 do the arithmetic in my head so give me just a
12 second.

13 Q. Sorry. Yeah, I'm not there so I can't --

14 A. You can't see the puzzled look on my
15 face?

16 MR. CONWAY: I have to say -- this is Dan
17 again, Dan Conway, Doug. I have got to say this is
18 all got to be considered --

19 MR. BONNER: I'm sorry. I am having
20 trouble hearing you, Dan.

21 MR. CONWAY: It all has to be considered
22 somewhat tentative because he is trying to do this
23 math in his head, and he's already provided one
24 caveat which is once you disturb the -- or once you

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1 change the eligibility, it kind of changes how
2 everything gets, I guess, I don't know if spread is
3 the right word or calculated, so it's a -- it's an
4 estimate on the fly so --

5 MR. BONNER: Objection. I mean, Dan,
6 please do but I would like to have him finish his
7 answer if he can.

8 A. If I am doing the math right which as
9 we've discussed previously this is rough justice and
10 not accounting for the fact that the energy credit
11 would go down, it looks like the demand charge would
12 be roughly \$24 million and the energy credit would be
13 roughly \$42 million for a net in the neighborhood of
14 \$18 million.

15 Q. So a net reduction of \$18 million for
16 Ormet if they were to be included in the load factor
17 rider?

18 A. That's my, yeah, rough on the fly
19 calculation totally just using my head with no
20 calculator or computer.

21 Q. For -- thank you for providing that. If
22 I could refer you now to, helpfully you were able to
23 bring this or your attorney was able to bring it at
24 my request, Mr. Baron's testimony in support of the

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1 stipulation at page 7.

2 A. Yes, I'm there.

3 Q. If you could -- if I could direct your
4 attention to Mr. Baron's testimony at page 7, lines
5 19 to 20. And there he states that "Including Ormet
6 in the LFP," referring to the load factor provision,
7 "would cost GS-2 customers of AEP Ohio approximately
8 \$11.9 million and would cost the GS-3/GS-4 customers
9 \$50.9 million" which numbers he said he calculated
10 using load factor provision factors provided to OEG
11 by AEP Ohio and based on assumptions taken from your
12 workpapers.

13 Now, how, Mr. Roush, do you reconcile
14 Mr. Baron's testimony about the impact -- revenue
15 impact on GS-2 and GS-3/GS-4 customers other than
16 Ormet if it were to be included in the load factor
17 provision with your approximation of an \$18 million
18 impact to Ormet if it were to be included in the load
19 factor provision?

20 A. My reconcil -- reconciliation would be it
21 appears Mr. Baron is probably doing the calculation
22 over the term of the ESP rather than just a one-year
23 number that I computed.

24 Q. And the determined ESP would be through

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1 2015; is that right, or 2016?

2 A. Yeah, May of '16. I haven't seen the
3 math that Mr. Baron has done but just on its surface
4 that appears to me to be the difference.

5 Q. Okay. So you don't agree that the
6 numbers -- the revenue numbers that he uses in his
7 testimony here are annual numbers but over the course
8 of the entire ESP term?

9 A. And actually I believe he says that on
10 the top of page 9 having now just turned the page.
11 Oh, no, that's a different value, I apologize.

12 Q. Okay.

13 A. That's a different value. I apologize.
14 I'm incorrect, but my assumption is that based on the
15 rough calculation I did today that the calculation
16 shown on page 7 must be for multiple years.

17 Q. Okay. Thank you. Mr. Roush, what would
18 be the impact of including the first 250 megawatts of
19 Ormet's load in the load factor provision?

20 A. I don't know for certain, but it would be
21 something less than the values we were just
22 discussing that I calculated earlier.

23 Q. Assuming a peak demand for Ormet of 520
24 megawatts, would the -- would the impact of including

16 (Pages 61 to 64)

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1 the first 250 megawatts of Ormet's load be roughly on
2 the order of 50 percent reduction in electric rates
3 in your estimation for whatever assumptions you want
4 to use that you used to calculate the 18 million net
5 reduction?

6 A. I apologize. I am going to ask the
7 reporter to read that one back.

8 MR. BONNER: Could you do that, Ms. Court
9 Reporter, please.

10 (Question read.)

11 THE WITNESS: Thank you.

12 A. If roughly half of Ormet's load was
13 included in the load factor rider, the answer would
14 be roughly half of the approximate 18 million we
15 calculated earlier.

16 MR. BONNER: Thank you. I have no other
17 questions. Thank you, sir.

18 THE WITNESS: You're welcome, sir.

19 MR. ETTER: This is Terry Etter with OCC.
20 Is there anyone else who wants to ask questions?

21 Okay. I guess I'll go ahead.

22 ---

23 EXAMINATION
24

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1 By Mr. Etter:

2 Q. Good afternoon, Mr. Roush. How are you?

3 A. Just great, sir. How about you?

4 Q. I'm just fine. I have a few questions,
5 and I hope not to cover any ground that anyone else
6 has already covered. I did get in a little late to
7 the start of the deposition, but hopefully we will be
8 able to cover new ground and not have to repeat
9 our -- repeat anything you've already said.

10 Let's start off on page 5 of your
11 prefiled testimony and on lines 5 and 6 you talk
12 about the elimination of the POLR charge rider being
13 a benefit to customers. How is that a benefit to
14 customers?

15 A. I guess from my perspective the
16 elimination of any charge is a benefit to customers
17 and that's kind of the frame I was viewing it.

18 Q. Does AEP Ohio currently have a POLR
19 charge rider?

20 A. Yes, it does -- or Columbus Southern
21 Power and Ohio Power Company do, yes.

22 Q. Okay. And for what customers is that
23 rider -- is that on all customers, or is it just for
24 a certain set of customers?

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1 A. It applies to all customers with two
2 exceptions. The first being a customer who has
3 waived their right to return at SSO rates can be POLR
4 exempt. And the second provision is related to
5 governmental aggregation that elects to waive that
6 right can be POLR exempt.

7 Q. So AEP's POLR charge is not calculated in
8 current rates?

9 A. The POLR rider is a separate rider.

10 Q. Now, at page 8 -- just to follow-up there
11 so the customers that waived the shot -- the question
12 deals with the rate that customers that waived the
13 2009 to 2011 POLR charge rider. Those were the
14 customers who shopped and who are in aggregation; is
15 that right?

16 MR. CONWAY: Shopped?

17 A. I'm sorry, Mr. Etter. I'm not sure I
18 followed that one.

19 Q. Well, the question on page 4, line 20, it
20 says "Does the stipulation modify the rate that
21 customers that waived the 2009 to 2011 POLR charge
22 rider will pay, should they return to the standard
23 service offer?" So does the removal of the POLR
24 charge rider only benefit those customers?

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1 A. No. There's actually two things going
2 on. One is the POLR is being eliminated. The other
3 is that customers who waived the POLR charge rider
4 during 2009-2011 under the terms of the current POLR
5 rider are -- were obligated to return at market-based
6 rates. And under the stipulation we're saying they
7 now can come back at SSO rates.

8 So there's really two things going on.
9 One is the elimination of the POLR. The second one
10 is the elimination of people -- the elimination for
11 folks who waived POLR of the requirement that they
12 return at market-based prices. They can return at
13 the SSO rates just like anyone else.

14 Q. I see. Now, on page 8, lines 9 through
15 11, you state that "The first step in the design of
16 the proposed base gen -- generation rates was to
17 determine the market-based price relationship for the
18 various types of customer usage." Were current rates
19 part of the calculation of that rate design?

20 A. No.

21 Q. Where -- where did you begin on that?

22 A. I began with the load shapes by the
23 various rate classes so the load shapes by the
24 various rate classes times prices based on the

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1 competitive benchmark model to come up with a total
2 market-shaped price, and I am kind of walking through
3 the steps of Exhibit DMR-2 again.

4 Q. Okay.

5 A. And then adjusted for certain generation
6 costs in the transmission rider to get market-shaped
7 rates adjusted for transmission. Then I scaled those
8 rates down and deducted fuel to get to base
9 generation rates that produced the stipulated values.
10 So nowhere in that computation were the current rates
11 considered other than the fuel and the transmission
12 adjustment.

13 Q. You are aware of the remand from the
14 first ESP case, are you not?

15 A. Yeah, generally.

16 Q. Okay. What -- what effect on these rates
17 would the decision of the remand case have? What
18 effect would the decision in the remand case have on
19 these rates? Put it that way.

20 A. On the company's proposed base generation
21 rates?

22 Q. Yes, yes.

23 MR. CONWAY: Are you talking -- just a
24 second. Mr. Etter, this is Dan Conway. I think I'll

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1 the same methodology used to rationalize the rate
2 relationships in the application, the original ESP
3 application in this proceeding?

4 A. Yes, the methodology I am using is the
5 same I filed -- the methodology is the same as what I
6 originally filed. The values are different

8 Q. Right. Now, if you'll turn to page 15 of
9 your testimony, and I'm looking at the bill
10 comparisons that you've done on page -- on lines 11
11 through 13, the bill impacts. Does that -- does --
12 do those prices that you have quoted there, do they
13 reflect a comparison of the two charts that are on
14 page 1 of Exhibit DMR-1?

15 A. No. Those values actually come directly
16 from bill calculations on page -- workpaper DMR page
17 84 through 87 for a thousand kilowatt hour
18 residential customer.

19 Q. Okay. So is that comparing 2011 rates to
20 the proposed ESP rates?

21 A. The peculiar calculation shown on WP DMR
22 page 84 through 87 is the actual August 30, 2011,
23 rates versus what the January 1, 2012, rates would be
24 under the stipulation.

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1 object to the form of the question. I think it's
2 vague and let me just explain to you what I mean. I
3 am not sure whether you are talking about the Supreme
4 Court's decision or some other decision by the, for
5 example, the Commission. So if you could be clear
6 about that, I would appreciate it.

7 MR. ETTER: Yeah. I'm talking about the
8 Commission's decision in the remand case that's going
9 on right now.

10 MR. CONWAY: There's -- there is no
11 decision in that case yet.

12 MR. ETTER: Right, right.

13 Q. But if -- when the Commission comes out
14 with the decision, would it have an effect on the
15 base generation rates that you have calculated?

16 A. Thank you for the clarification. And,
17 no, it would not change the base generation rates
18 that I have calculated.

19 Q. Now, at the bottom of page 9, lines 18
20 and 19, you state that "the design of the Stipulated
21 base generation prices rationalizes the rate
22 relationships based upon the manner in which the
23 market would price such loads using the same
24 methodology used by Company Witness Thomas." Is this

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1 Q. And that's not -- well, that would take
2 into account the delay in the phase in rider for
3 phase in residential customers, correct?

4 A. That is correct.

5 Q. Have you done a comparison of what the
6 2013 rates with the 2011 rates, the August 30, 2011,
7 rates would be with the phase in rider included?

8 A. No, I have not.

9 Q. Why not?

10 A. I didn't think it was necessary. I have
11 compared -- done a different calculation other than
12 the one shown on DMR 84 to 87 which compared 2012
13 pre-ESP rates to 2013 -- 2012 rates post-ESP, 2013
14 rates post-ESP, and 2014 rates post-ESP and those are
15 in workpaper DMR page 88 through 144 with the
16 assumptions on WP DMR page 145 and those are also
17 summarized in my Exhibit DMR-5.

18 Q. And the -- okay. Those are using the
19 2012 rates before the proposed ESP; is that right?

20 A. That's what's on the current side,
21 correct, with the assumptions that are detailed on WP
22 DMR page 145.

23 Q. Okay. Has the company AEP Ohio
24 calculated the revenues it will receive under the

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<p>1 stipulation?</p> <p>2 A. I believe but I can't say for certain</p> <p>3 that that would have been part of the pro forma</p> <p>4 financials that Witness Allen presented. I also have</p> <p>5 some calculations in my workpapers kind of starting</p> <p>6 with workpaper DMR page 1 through -- at least through</p> <p>7 page 52. Only workpapers that are -- that underlie</p> <p>8 the calculation shown in Exhibit DMR-1.</p> <p>9 Q. Can you give me a ballpark estimate as</p> <p>10 to, you know, what those revenues might be?</p> <p>11 A. I guess the -- the ballpark estimate I</p> <p>12 can give you is the difference between current base</p> <p>13 rates, current fuel, and environmental versus</p> <p>14 proposed 2012 base rates and third quarter 2011</p> <p>15 projected FLAC -- FAC, I'm sorry, which the -- these</p> <p>16 values I am looking at on WP DMR page 1 and page 2, I</p> <p>17 see total current generation revenue of roughly 2.3</p> <p>18 billion total proposed generation revenue of roughly</p> <p>19 2.5 billion so a change of 200 million.</p> <p>20 Q. Did the company calculate the revenues it</p> <p>21 would have received under the original application in</p> <p>22 this ESP proceeding?</p> <p>23 A. Again, I am sure it would have been in --</p> <p>24 incorporated into the pro forma financials that I</p>	<p>1 MR. CONWAY: Have a good weekend.</p> <p>2 THE WITNESS: Thanks.</p> <p>3 MR. LANG: Bye. And we can go off the</p> <p>4 record.</p> <p>5 (Thereupon, the deposition was concluded</p> <p>6 at 3:38 p.m.)</p> <p>7 ---</p> <p>8</p> <p>9</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>
Page 74	Page 76
<p>1 believe Witness Nelson presented originally. And I</p> <p>2 would have had similar workpapers to WP DMR 1 and 2</p> <p>3 that we were just talking about as well in the</p> <p>4 original application.</p> <p>5 Q. And do you remember what -- what those</p> <p>6 figures would have been for the generation revenues?</p> <p>7 A. Not a chance.</p> <p>8 Q. Okay. Your memory is not that good, huh?</p> <p>9 A. Nope.</p> <p>10 MR. ETTER: That's all the questions I</p> <p>11 have. Thank you very much.</p> <p>12 THE WITNESS: You're welcome, sir.</p> <p>13 MR. LANG: Anyone else? I don't think so</p> <p>14 but anyone else? Nope.</p> <p>15 Thank you, Mr. Roush, for your patience</p> <p>16 this afternoon.</p> <p>17 You're reserving signature?</p> <p>18 MR. CONWAY: Yes. We will not waive</p> <p>19 signature. We would like to read the transcript.</p> <p>20 MR. LANG: And I believe that concludes</p> <p>21 the deposition. Anything else from the folks on the</p> <p>22 phone?</p> <p>23 MR. BONNER: No, thank you very much.</p> <p>24 MR. LANG: Have a good weekend.</p>	<p>1 State of Ohio : : SS:</p> <p>2 County of _____:</p> <p>3 I, David M. Roush, do hereby certify that I</p> <p>4 have read the foregoing transcript of my deposition</p> <p>5 given on Friday, September 23, 2011; that together</p> <p>6 with the correction page attached hereto noting</p> <p>7 changes in form or substance, if any, it is true and</p> <p>8 correct.</p> <p>9 _____</p> <p>10 David M. Roush</p> <p>11 I do hereby certify that the foregoing</p> <p>12 transcript of the deposition of David M. Roush was</p> <p>13 submitted to the witness for reading and signing;</p> <p>14 that after he had stated to the undersigned Notary</p> <p>15 Public that he had read and examined his deposition,</p> <p>16 he signed the same in my presence on the _____ day</p> <p>17 of _____, 2011.</p> <p>18 _____</p> <p>19 Notary Public</p> <p>20 My commission expires _____, _____.</p> <p>21 ---</p> <p>22</p> <p>23</p> <p>24</p>

1 CERTIFICATE

2 State of Ohio :

: SS:

3 County of Franklin :

4 I, Karen Sue Gibson, Notary Public in and for
5 the State of Ohio, duly commissioned and qualified,
6 certify that the within named David M. Roush was by
me duly sworn to testify to the whole truth in the
cause aforesaid; that the testimony was taken down by
me in stenotypy in the presence of said witness,
7 afterwards transcribed upon a computer; that the
8 foregoing is a true and correct transcript of the
testimony given by said witness taken at the time and
9 place in the foregoing caption specified and
completed without adjournment.

10 I certify that I am not a relative, employee,
11 or attorney of any of the parties hereto, or of any
attorney or counsel employed by the parties, or
financially interested in the action.

12 IN WITNESS WHEREOF, I have hereunto set my
13 hand and affixed my seal of office at Columbus, Ohio,
on this 24th day of September, 2011.

14
15 _____
16 Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

17 My commission expires August 14, 2015.

18 (KSG-5420b)

19 ---
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21
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23
24

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :
Company and Columbus Power :
Company for Authority to : Case No. 10-2376-EL-UNC
Merge and Related :
Approvals. :

In the Matter of the :
Application of Columbus :
Southern Power Company :
and Ohio Power Company :
for Authority to Establish :
a Standard Service Offer : Case No. 11-346-EL-SSO
Pursuant to §4928.143, : Case No. 11-348-EL-SSO
Ohio Rev. Code, in the :
Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :
Southern Power Company : Case No. 11-349-EL-AAM
and Ohio Power Company : Case No. 11-350-EL-AAM
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :
Southern Power Company to : Case No. 10-343-EL-ATA
Amend its Emergency :
Curtailment Service :
Riders. :

In the Matter of the :
Application of Ohio Power :
Company to Amend its : Case No. 10-344-EL-ATA
Emergency Curtailment :
Service Riders. :

In the Matter of the :
Commission Review of the :
Capacity Charges of Ohio : Case No. 10-2929-EL-UNC
Power Company and Columbus :
Southern Power Company. :

APPEARANCES:

Porter, Wright, Morris & Arthur, LLP
By Mr. Daniel R. Conway
41 South High Street
Columbus, Ohio 43215-6194

On behalf of the Applicants.

Jones Day
By Mr. David A. Kutik
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114

On behalf of FirstEnergy Solutions
Corporation.

SNR Denton US, LLP
By Mr. Douglas G. Bonner (via telephone)
1301 K Street NW
Suite 600 East Tower
Washington, D.C. 20005
On behalf of Ormet Primary Aluminum
Corporation.

McNees, Wallace & Nurick, LLC
By Mr. Frank P. Darr (via telephone)
Fifth Third Center, Suite 1700
21 East State Street
Columbus, Ohio 43215-4288

On behalf of Industrial Energy Users.

ALSO PRESENT:

Mr. Pat Lawrence (via telephone).

EXHIBIT

F

Friday Morning Session,
September 23, 2011.

KELLY D. PEARCE

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

EXAMINATION

By Mr. Kutik:

Q. Please state your name.

A. Kelly Douglas Pearce.

Q. Mr. Pearce, where do you work?

A. American Electric Power Service
Corporation.

Q. What do you do there?

A. I am the director of contracts and
analysis in the regulatory services department.

Q. Have you been deposed before?

A. Once.

Q. Okay. When was that?

A. Earlier this year.

Q. What was that for?

A. It was related to a -- an employment
matter with the company.

Q. The company was being sued?

1 In the Matter of the :
2 Application of Columbus :
3 Southern Power Company for:
4 Approval of a Mechanism to: Case No. 11-4920-EL-RDR
5 Recover Deferred Fuel :
6 Costs Ordered Under Ohio :
7 Revised Code 4928.144. :

8 In the Matter of the :
9 Application of Ohio Power :
10 Company for Approval of a :
11 Mechanism to Recover : Case No. 11-4921-EL-RDR
12 Deferred Fuel Costs :
13 Ordered Under Ohio Revised:
14 Code 4928.144. :
15 ---
16

DEPOSITION

of Kelly D. Pearce, taken before me, Karen Sue
Gibson, a Notary Public in and for the State of Ohio,
at the offices of Porter, Wright, Morris & Arthur,
LLP, 41 South High Street, Columbus, Ohio, on Friday,
September 23, 2011, at 9 a.m.

ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

Page 5	Page 7
<p>1 A. Yes, it was.</p> <p>2 Q. Then can I assume that you understand the</p> <p>3 rules of a deposition in terms of answering questions</p> <p>4 with words and refrain from using gestures, nods of</p> <p>5 the head, and things the court reporter can't pick</p> <p>6 up?</p> <p>7 A. Yes, sir.</p> <p>8 Q. Okay. On page 2 of your testimony.</p> <p>9 A. Yes, sir.</p> <p>10 Q. At lines 15 through, oh, about 17, I</p> <p>11 guess.</p> <p>12 A. Uh-huh.</p> <p>13 Q. You say among other things, that you've</p> <p>14 done financial analyses concerning AEP -- AEP's</p> <p>15 generation resources and load obligations, correct?</p> <p>16 A. Yes, yes.</p> <p>17 Q. What does that mean?</p> <p>18 A. Well, it could be a number of different</p> <p>19 things. It could include when the company has looked</p> <p>20 at acquiring particular generation assets, what would</p> <p>21 be the financial impacts of that. If we are in</p> <p>22 negotiations with a particular wholesale customer</p> <p>23 like a municipality or cooperative, what would be the</p> <p>24 financial impacts of that.</p>	<p>1 the 10-2929 case was to file the testimony that you</p> <p>2 filed in that case?</p> <p>3 A. Correct, yes.</p> <p>4 Q. Would it be correct to say that the</p> <p>5 subject matter of the testimony that you've filed</p> <p>6 here, we'll say, and the testimony that you filed in</p> <p>7 10-2929 is generally the same?</p> <p>8 A. Well, I believe there's certainly</p> <p>9 overlap, but each one would stand on its own for</p> <p>10 purposes as stated in the testimonies.</p> <p>11 Q. Well, would it be correct to say that</p> <p>12 both dealt with supporting a particular price for</p> <p>13 capacity?</p> <p>14 A. Yes. I would agree with that.</p> <p>15 MR. KUTIK: Let's go off the record.</p> <p>16 (Discussion off the record.)</p> <p>17 Q. Let's go back on the record. Did you</p> <p>18 have any involvement in any of the negotiations</p> <p>19 relating to the stipulation?</p> <p>20 A. No, no, I did not.</p> <p>21 Q. Did you provide any input to individuals</p> <p>22 who were working on the stipulation with respect to</p> <p>23 any issues in the stipulation?</p> <p>24 A. The only thing that comes to mind is to</p>
Page 6	Page 8
<p>1 Q. What's been your role in this case?</p> <p>2 A. Could you define this case?</p> <p>3 Q. Sure.</p> <p>4 A. The stipulation?</p> <p>5 Q. Well, I'll break it down. What has been</p> <p>6 your role with respect to the ESP?</p> <p>7 A. Very limited, fringes at times, nothing</p> <p>8 specific I recall.</p> <p>9 Q. Okay. And have you been involved prior</p> <p>10 to preparing the testimony that you have submitted</p> <p>11 and that you are here today to testify about in the</p> <p>12 10-2929 case?</p> <p>13 A. Yes, submitted testimony in that case</p> <p>14 that I prepared.</p> <p>15 Q. Okay. Were you involved in that case</p> <p>16 other than to prepare testimony?</p> <p>17 A. Internal discussion meetings on the case</p> <p>18 itself is all that comes to mind.</p> <p>19 Q. Would it be fair to say that your only</p> <p>20 involvement with respect to the ESP case has been the</p> <p>21 submission of testimony that was filed within the</p> <p>22 last week or so?</p> <p>23 A. I think by and large that's true.</p> <p>24 Q. And would you say your principal role in</p>	<p>1 the extent, you know, we had filed this capacity --</p> <p>2 similar capacity information at FERC, and it turned</p> <p>3 out to be, you know, one of the points in the</p> <p>4 stipulation. Obviously people within the company</p> <p>5 took that and relied on it. I was primarily</p> <p>6 developing that information for -- for our FERC</p> <p>7 filing.</p> <p>8 Q. Okay. But no one came to you; they were</p> <p>9 just using the information you had already prepared?</p> <p>10 A. Uh-huh.</p> <p>11 Q. Is that correct?</p> <p>12 A. To my knowledge, yeah. To my best</p> <p>13 recollection, that's true.</p> <p>14 Q. The reason I -- I asked the "is that</p> <p>15 correct" question is because you answered my question</p> <p>16 with "uh-huh."</p> <p>17 A. I'm sorry.</p> <p>18 Q. And you need to answer with words.</p> <p>19 A. Yes.</p> <p>20 Q. Thank you. Is it correct that you</p> <p>21 transferred to the regulatory services area of the</p> <p>22 company which you work now in 2010?</p> <p>23 A. Yes.</p> <p>24 Q. Prior to that transfer in 2010, did you</p>

<p style="text-align: right;">Page 9</p> <p>1 have any involvement in supporting AEP's work for any 2 case before the Public Utilities Commission?</p> <p>3 A. It seems like I may have provided some 4 minor support at times on our previous cases. I 5 don't even remember the timeframe. Perhaps our rate 6 stability plan or something but nothing comes to 7 mind, nothing significant that I can really recall.</p> <p>8 Q. What specifically can you recall about 9 any particular case that you worked on?</p> <p>10 A. I may have been involved in some meetings 11 where I was -- you know, as that was being formed or 12 something, really attendance more than anything as 13 far as asking my opinion. I don't even recall the 14 nature of those. Again, the RSP was pretty long ago 15 at this point.</p> <p>16 Q. So your only recollection of being 17 involved, albeit in a minor way, was for the RSP 18 case.</p> <p>19 A. That and, again, the -- yeah, yes, that's 20 all I recall at this time.</p> <p>21 Q. Okay. Did you have any role in any 22 matters -- this is now before 2010.</p> <p>23 A. Okay.</p> <p>24 Q. Did you have any role in any matters</p>	<p style="text-align: right;">Page 11</p> <p>1 that question.</p> <p>2 MR. KUTIK: Let me rephrase it and I'll 3 go back a couple of steps.</p> <p>4 MR. CONWAY: Okay.</p> <p>5 Q. You mentioned that people, you thought, 6 may have relied upon your work that had been filed at 7 the FERC in negotiating the stipulation. Did I 8 understand your testimony correctly?</p> <p>9 A. Yes.</p> <p>10 Q. And what -- go ahead.</p> <p>11 A. Okay. I do need to add to that. I was 12 involved actually earlier this year with one 13 discussion with some of the PUC -- PUCO staff on, you 14 know, potential capacity price.</p> <p>15 Q. Okay.</p> <p>16 A. I just recalled that, at their offices.</p> <p>17 Q. And was that in the context of the 18 10-2929 case?</p> <p>19 A. Yes, I believe it was, yes.</p> <p>20 Q. Okay. Going back to the FERC work that 21 you did relating to AEP Ohio, can you describe that? 22 And particularly I am talking about the things you 23 were referring to that other people may have relied 24 on in the negotiations for the stipulation.</p>
<p style="text-align: right;">Page 10</p> <p>1 relating to AEP Ohio before the FERC?</p> <p>2 A. Several years ago our system integration 3 agreement among the AEP East and West operating 4 companies scheduled was how we shared off-system 5 sales between our two zones, East zone and West zone, 6 and I had a fairly significant role in that case, you 7 know, preparing our filing at FERC, meeting with FERC 8 staff to discuss it prior to our filing.</p> <p>9 Q. That case wasn't specific to AEP Ohio, 10 correct?</p> <p>11 A. Correct. It involved -- I mean, it 12 affected them but, no, it was -- it was basically on 13 behalf of all of our East and West operating 14 companies including the AEP Ohio companies.</p> <p>15 Q. So with respect to your involvement prior 16 to 2010, you can recall no case where -- that you 17 were involved before the FERC that dealt with issues 18 only relating to AEP Ohio?</p> <p>19 A. That's correct.</p> <p>20 Q. Now, you mentioned earlier that you had 21 been involved in either making some filings or 22 preparing some information for filings at the FERC 23 relating to AEP Ohio?</p> <p>24 MR. CONWAY: I'm sorry. Could you reread</p>	<p style="text-align: right;">Page 12</p> <p>1 A. Well, again, this is our FERC filing, our 2 205 filing at FERC, where we were proposing to amend 3 or introduce -- change the rate that we charged 4 retail suppliers under the reliability assurance 5 agreement consistent with Schedule 8.1.</p> <p>6 Q. Was there anything that you prepared that 7 was filed in your name?</p> <p>8 A. I don't recall if that filing was filed 9 in my name or that was an application I prepared, 10 prepared the filing.</p> <p>11 Q. So you don't recall there being an 12 affidavit or some type of testimony that you filed in 13 that matter.</p> <p>14 A. I would have to go back and look at the 15 filing to see exactly what all was in that so, no, I 16 don't at this point.</p> <p>17 Q. But whatever it is you -- you helped 18 prepare it by doing some calculations and analyses?</p> <p>19 A. Yes, I did.</p> <p>20 Q. Now, at some point, is it correct to say, 21 that AEP Ohio opted to choose the FRR to satisfy 22 capacity obligations?</p> <p>23 A. Yes, along with the other East operating 24 companies through our pooling agreement.</p>

Page 13

1 Q. Were you involved in the decision to do
2 that?
3 A. A little bit.
4 Q. What does that mean?
5 A. I did help do some analysis around the --
6 when PJM was implemented, their capacity market back
7 in '07 as far as us making our initial election of
8 FRR versus RPM.
9 Q. And when did that election take place?
10 A. And actually let me correct myself. I am
11 saying 2007. I don't even remember exactly when that
12 market started, if it was 2007 or not, but it would
13 have been prior to the first year. Actually I might
14 have that.
15 Yeah, it was started in June of '07, so
16 it would have been sometime early '07, maybe late
17 '06, sometime in that timeframe.
18 Q. Would it be fair to say you were not a
19 decision maker?
20 A. Yes, that's fair to say.
21 Q. But you provided information or analyses
22 for those folks who were making the decision.
23 A. Parts of the analysis. There were others
24 that were doing much more of the heavy lifting than

Page 14

1 myself.
2 Q. Okay. Do you understand why I'll say AEP
3 East decided to go with the what I will call the FRR
4 option as opposed to participating in the RPM
5 process?
6 A. I understand some of the reasons involved
7 in that decision.
8 Q. What's your understanding?
9 A. Well, one of the strongest arguments, I
10 think, for it was the fact that the installed reserve
11 margin under the FRR margin was lower than it could
12 potentially wind up to be through the reliability
13 pricing model, and so we saw it as, you know,
14 opportunity to save money for the company and our
15 customers since you weren't obligated to carry as
16 many effectively surplus or reserve megawatts,
17 whatever you want to call them, under FRR versus RPM.
18 Q. Any other reason that you are aware of?
19 A. I think it provided you some more control
20 over your own destiny in terms of do you want to be,
21 you know, a complete price taker under RPM, whatever
22 that works out to be, they have proven to be a fairly
23 volatile market, had various -- I did not personally
24 participate, but I understand there was various

Page 15

1 discussions with stakeholders, you know, folks
2 representing our customers and our state commissions
3 and they seemed to from what I heard, you know,
4 second, thirdhand, they concurred with that decision
5 at the time, or at least were agreeable to it.
6 Q. Is there any other reason that you are
7 aware of?
8 A. I think FRR provides you some flexibility
9 that RPM does not. You are able to, you know, if you
10 have some performance issues at some of your plants
11 and you have some plinth anyway, some surplus, you
12 can interchange that in and out of your plan without
13 incurring the same types of penalties that you can
14 under the RPM program. And, you know, I'm not --
15 personally I think I see some flaws with the RPM
16 program as it currently is that are, I think, fairly
17 widely discussed and talked about.
18 Q. Are those the basic reasons that you can
19 understand why -- or that you understand why AEP East
20 decided to select the FRR option?
21 A. Those are the reasons that I personally
22 am aware of, right. There might be more.
23 Q. Would it be fair to say that the AEP East
24 believed that selecting the FRR option provided

Page 16

1 benefits to AEP companies that encompassed the AEP
2 East and those companies' customers?
3 A. I'm not sure I understand your question.
4 Could you rephrase?
5 Q. I'm sorry?
6 A. Could you rephrase? I am not sure I
7 understand.
8 Q. All right. Did -- are there benefits to
9 A -- the AEP companies and their customers to having
10 selected the FRR option?
11 A. Yes, I believe there are.
12 Q. The companies wouldn't have selected that
13 unless they thought it was a good thing for them and
14 their customers, correct?
15 A. Correct.
16 Q. Now, in your career have you worked in
17 the commercial operations area?
18 A. Yes, I have.
19 Q. And while you worked in the commercial
20 operations area, were you involved in the development
21 of any bids to be submitted in a competitive bidding
22 process to supply POLR load?
23 A. No.
24 Q. Did anyone who reported to you do that?

4 (Pages 13 to 16)

Page 17

1 A. Not to my knowledge and not while --
2 while they were reporting to me.
3 Q. Correct. That's how I meant it.
4 A. Okay. Yeah.
5 Q. So it would be fair to say that you had
6 no responsibility and no one who was working for you
7 at the time had any responsibility for comparing for
8 preparing competitive bidding process bids for POLR
9 load?
10 A. When -- I am getting confused. When you
11 say POLR load, are you saying for -- what POLR load,
12 I guess? I'm thinking of the POLR associated with
13 the AEP Ohio companies or what -- are you talking
14 about other? Could you define that?
15 Q. Sure. Are you -- are you aware that
16 there -- that some companies have competitive bidding
17 processes to procure the supply for POLR load?
18 A. Yes. I mean, it's not always referred to
19 as POLR. There's different names but.
20 Q. The reason I was using POLR that seems to
21 be more generic.
22 A. Yes. Nonshopped load is what I am
23 interpreting what you are saying.
24 Q. Yes, yes, that's what I meant.

Page 18

1 A. I am aware we participated in those
2 things.
3 Q. All right. So let me ask you my question
4 again --
5 A. Okay.
6 Q. -- which is is it fair to say neither you
7 nor anyone who was reporting to you at the time while
8 you worked in commercial operations was responsible
9 for preparing bids to be used in a competitive
10 bidding process to supply POLR load?
11 A. Yes, that is fair to say.
12 Q. Now, are you familiar with PJM's rules
13 and tariffs?
14 A. At an intermediate level, let me put it
15 that way.
16 Q. Would it be fair to say you wouldn't
17 claim to have any expertise in that subject?
18 A. Well, to me expertise is a sliding scale.
19 I mean, I know more than the layman. I can't hold
20 myself as an expert on the entire PJM tariff, a
21 thousand plus pages or whatever it is and every
22 provision in it.
23 Q. Well, would you consider yourself an
24 expert in the reliability assurance agreement?

Page 19

1 A. No, no.
2 Q. Would you consider yourself an expert in
3 the RPM process?
4 A. All I could say is I have -- I believe I
5 have a decent working knowledge of it. It depends
6 on, you know, how far down in the weeds you want to
7 get.
8 Q. So you have -- you have a decent working
9 knowledge but perhaps not expertise.
10 A. It would depend on the area and the
11 question.
12 Q. Okay. Fair enough. Do you consider
13 yourself an expert in the PJM market?
14 A. Again, I think I have a pretty decent
15 knowledge of the market but, you know, how far that
16 compares to somebody else, I don't know. There are
17 people that know more about the PJM market than I do.
18 I certainly could see that.
19 Q. You've testified in other cases.
20 A. Yes.
21 Q. Tell me about the other cases that you've
22 testified in.
23 A. I testified in the -- I've prepared and
24 filed testimony in cases before the Virginia State

Page 20

1 Corporation Commission in a base case that got
2 settled so I didn't wind up having a hearing. I've
3 testified -- I've submitted testimony and
4 participated in a hearing in a Virginia State
5 Corporation Commission case on a wires charge which
6 was their basically name for a nonbypassable charge
7 under their pilot retail choice program. That was
8 several years ago.
9 Recently I prepared testimony and
10 participated in a case before the Indiana Utility
11 Regulatory Commission in some environmental matters.
12 My specific testimony was tied to our interim
13 allowance agreement.
14 Q. I'm sorry?
15 A. Our interim allowance agreement which is
16 associated with Title IV of the Clean Air Act.
17 Q. The first case -- well, I'll back up.
18 Are those all the cases that you've
19 submitted testimony in other than 10-2929 and this
20 case?
21 A. That's all I can recall.
22 Q. The base rate case that you described
23 before the Virginia Corporation Commission, you said
24 that was settled, correct?

5 (Pages 17 to 20)

Page 21

1 A. Yes.

2 Q. Did you actually testify, in other words,
3 did you appear at the hearing, raise your hand and?

4 A. No, I did not take the stand in that
5 case.

6 Q. What was the subject matter of your
7 testimony in that case?

8 A. That's when I was in the rates group so
9 it was predominantly around class rate design, maybe
10 some cost of service things.

11 Q. Did you provide any testimony with
12 respect to the cost of capacity?

13 A. I recall, and it was about 10 years ago,
14 you know, since it was associated with the rates it
15 would have been the rates charged for capacity, and
16 it was based on costs. I also -- for completeness I
17 should say I recently submitted testimony in a
18 Virginia renewable -- a Virginia company renewable
19 portfolio case.

20 Q. What's the subject matter of that
21 testimony?

22 A. It's basically determining the
23 incremental costs of some wind farms that Appalachian
24 Power Company entered into long-term agreements to

Page 22

1 purchase the output.

2 Q. In your testimony you refer to a case
3 involving SWEPCo --

4 A. Yes.

5 Q. -- correct? Were you involved in that
6 SWEPCo case?

7 A. No.

8 Q. Are you aware of whether any CRES
9 providers in Ohio are currently able to opt out of
10 buying capacity from AEP Ohio to supply customers in
11 the AEP Ohio service territory?

12 A. It's my understanding that they are able
13 to notify the company and self-supply their capacity
14 prior to the company having to submit its FRR plan.

15 Q. Okay. Now, the company has a current FRR
16 plan, correct?

17 A. Define current.

18 Q. One that's in existence now.

19 A. For the current delivery year, yes, and
20 for those -- and for the next two years.

21 Q. Right. So that it would be fair to say
22 that if a CRES supplier wanted to opt for
23 self-supply, they would have to wait three year to do
24 that.

Page 23

1 A. Well, they would have to notify the
2 company and provide that three years in advance of
3 the delivery year. For the current delivery year
4 they could have done that three years prior.

5 Q. Right. But if they opted today to do
6 that, they could not provide the power under the
7 self-supply for three years, correct?

8 A. Based on the PJM rules, this stuff gets
9 locked down three years in advance so, yes, that's
10 the PJM rules we all abide by.

11 Q. Now, is there an option where AEP could
12 allow a CRES provider to self-supply in less than
13 three years' time?

14 A. No.

15 Q. Okay. So AEP couldn't waive that
16 requirement.

17 A. I could think of no particular portions
18 of the PJM rules that would allow that. Again,
19 that's -- there is a lot of PJM rules though so
20 nothing comes to mind.

21 Q. So you are not aware of the ability for
22 AEP to grant waivers to supply -- to allow CRES
23 providers to supply on a self-supply basis in less
24 than the three-year window?

Page 24

1 A. No. I don't see how that would work
2 seeing how we have already committed the capacity to
3 do that.

4 Just to expand on that, I mean, I believe
5 that this is kind of the purpose of this case is
6 under what -- effectively the only way they could do
7 that we were already planned for that which is why
8 they set up under the RA that they pay it from us so
9 at what price is kind of the topic that brings us all
10 here today.

11 Q. Right. Now, are you -- do you understand
12 the basis of what I will just call the 255 charge?

13 I will back up. If I refer to something
14 as the 255 charge, do you know what I am talking
15 about?

16 A. Yes.

17 Q. And just so we have it on the record how
18 do you understand that term?

19 A. That's part of the stipulated agreement
20 rate that was agreed to by the settling parties.

21 Q. Okay. And if I refer to the 355 charge,
22 can we agree that means the charge that you are
23 recommending?

24 A. On a merged CSP/OPCo basis, yes.

6 (Pages 21 to 24)

Page 25

1 Q. Okay. Now, with respect to the 255, is
2 it your understanding that that 255 number is not
3 cost based?
4 A. It's my understanding that's a settlement
5 number.
6 Q. So it's not cost based.
7 A. No, no, it's not.
8 Q. Okay. And would it be fair to say that
9 the 255 number is not market based?
10 A. No, it's not market based.
11 Q. Does the 255 number include losses?
12 A. You know, I'm uncertain of that. I
13 prepared my testimony as though it would include --
14 as though it included the loss factor, but I am
15 uncertain to that point.
16 Q. Okay. Now, you calculated the -- a
17 number that you believe is a cost-based rate,
18 correct?
19 A. Yes.
20 Q. And the cost that your rate is based on,
21 would you believe that those costs were prudently
22 incurred?
23 A. Yes.
24 Q. Would you believe that those costs were

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1 legitimate costs?
2 A. Yes.
3 Q. Would you believe that those costs are or
4 were verifiable?
5 A. Yes.
6 Q. Were those costs directly assignable or
7 allocable to retail electric generation service to
8 generation -- to electric customers in Ohio?
9 A. Yes.
10 Q. And would some of those costs be not
11 recoverable in a competitive market?
12 A. I -- to me a competitive market has a
13 completely different basis so whether they would or
14 would not be recoverable, I don't think you can tie
15 one to the other, so I can't really answer that
16 question.
17 Q. Pardon? You can't answer the question?
18 A. I think it's based on a false premise.
19 Q. And what's the false premise?
20 A. Well, it implies in a market based that
21 it would be tied to cost and, you know, at least
22 short-term market is whatever the market bears so you
23 may or may not get, you know, your cost recovery.
24 You may get more or less than that.

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1 Q. So in certain circumstances these costs
2 may not be recoverable in a competitive market.
3 A. Yes, I would agree with that.
4 Q. Is the PJM RPM price a market-based
5 price?
6 A. I would say it is with certain
7 qualification.
8 Q. What are those?
9 A. Well, the demand curve is
10 administratively determined by PJM so.
11 Q. But with that -- with that caveat, it
12 is -- it is generally regarded as a market price, is
13 it not?
14 A. Yes.
15 Q. I mean, for example, FERC regards it as a
16 market price; would that be fair to say?
17 A. I don't feel like I am in a position to
18 opine FERC's opinion of it. They've approved it so,
19 I mean, they can't, you know -- as something that can
20 be implemented, I can say that.
21 Q. Well, would it be fair to say that you --
22 you don't know --
23 A. Yeah.
24 Q. -- whether FERC would consider the PJM

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1 RPM price to be a market price?
2 A. Not -- not with 100 percent certainty.
3 Q. Well, do you have a belief on that
4 subject?
5 A. Well, they probably look at it as a
6 market-based rate mechanism. That would be -- if I'm
7 going to conjecture, I would say yeah.
8 Q. Okay. Do you believe that RPM prices are
9 transparent?
10 A. Yes, I would agree with that.
11 Q. Are you familiar with the term stranded
12 costs?
13 A. Yes.
14 Q. And what's your definition of what
15 stranded costs are?
16 A. I think it could mean slightly different
17 things in different context. Probably closest to
18 what I would understand based on the context we are
19 in here would be -- or, well, let me say with the
20 utility industry in general where certainly book
21 costs exceed market-based costs.
22 Q. Book costs exceed market-based costs?
23 A. Uh-huh.
24 Q. The cost that you looked at to derive

7 (Pages 25 to 28)

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1 your 355 charge.
 2 A. Uh-huh, yes.
 3 Q. Are those -- are any of those costs
 4 stranded costs?
 5 A. No.
 6 Q. Why not?
 7 A. I'm sorry? ~~What?~~
 8 Q. Why not?
 9 A. Why aren't they stranded costs?
 10 Q. Why are they not stranded costs? You
 11 said they are not, correct?
 12 A. Yes, I did.
 13 Q. Why are they not considered stranded
 14 costs in your view?
 15 A. Because I think under the current FERC
 16 Form 1s which we pulled the data there are the
 17 appropriate cost-based rates to utilize for capacity.
 18 I can't see them as being stranded at this point in
 19 time.
 20 Q. Okay. Would AEP -- are there AEP Ohio
 21 core capacity costs that exceed the RPM price?
 22 MR. CONWAY: Could I have that question
 23 reread?
 24 Q. Let me put it this way, could AEP fully

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1 recover its capacity costs if it received revenues
 2 solely through RPM pricing?
 3 A. No, I don't believe it could.
 4 Q. Are you familiar with the generation
 5 facilities that are owned by the two companies that
 6 make up AEP Ohio?
 7 A. Yes.
 8 Q. And with the exception of Danbury,
 9 Waterford, and Lawrenceburg, would it be fair to say
 10 that all of those facilities were in service as of
 11 January of 2001?
 12 MR. CONWAY: Could I have the first
 13 question -- first part of the question read back,
 14 please? Just the names of the plants.
 15 MR. KUTIK: Danbury, Waterford, and
 16 Lawrenceburg.
 17 MR. CONWAY: Connecticut, Danbury, you
 18 mean Darby.
 19 Q. Darby.
 20 A. Yeah, I was having.
 21 MR. KUTIK: Thank you.
 22 MR. CONWAY: Never mind.
 23 MR. KUTIK: Let's go off the record.
 24 (Discussion off the record.)

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1 Q. Back on the record. Do you have the
 2 question in mind?
 3 A. Could you, sorry, repeat it one more
 4 time?
 5 Q. Okay. With the exception of the Darby,
 6 Waterford, and Lawrenceburg plant, would it be
 7 correct to say that the generation facilities owned
 8 by AEP Ohio were in service as of January, 2001?
 9 A. I can think of no exceptions to that, no,
 10 I cannot.
 11 Q. Were you involved in a case known as the
 12 ETP case?
 13 A. No.
 14 Q. Okay.
 15 A. Well, what does ETP stand for just to
 16 make sure?
 17 Q. I'll give you the case number, Case No.
 18 99-1730.
 19 MR. CONWAY: 29, 30, it's two cases, 1729
 20 and 1730.
 21 A. Okay. They don't ring a bell.
 22 Q. All right. So it would be fair to say
 23 that you're not aware whether there was a stipulation
 24 in that case.

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1 A. No, I'm not familiar with the stipulation
 2 in that case.
 3 Q. Okay. Would it be fair to say that in
 4 preparing your testimony you didn't review any of the
 5 filings from that case?
 6 A. That's fair to say.
 7 Q. Do you have an understanding in Ohio what
 8 the term transition costs mean?
 9 A. Not sitting here today. I've heard the
 10 term in the past, but I don't recall any specific
 11 definition.
 12 Q. Let me have you refer to -- well, let me
 13 back up.
 14 To come up with your 355 charge
 15 recommendation --
 16 A. Yes.
 17 Q. -- you used a rate formula that was
 18 developed in a case that you identified as the SWEPCo
 19 case, correct?
 20 A. Correct.
 21 Q. And I think you said earlier you had no
 22 involvement in that case, correct?
 23 A. Correct.
 24 Q. Was that a case involving a utility that

8 (Pages 29 to 32)

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<p>1 was in PJM?</p> <p>2 A. No.</p> <p>3 Q. Do you know whether FERC or any other</p> <p>4 regulatory authority has cited that SWEPCo formula is</p> <p>5 appropriate to determine a capacity charge?</p> <p>6 A. FERC did in that SWEPCo case.</p> <p>7 Q. Other than in that case.</p> <p>8 A. I don't know of any other cases that they</p> <p>9 have or have not.</p> <p>10 Q. And that case was the result of a</p> <p>11 settlement, was it not?</p> <p>12 A. Yes, it was.</p> <p>13 Q. And was it the issue -- was the issue or</p> <p>14 the sole issue in that case what the capacity charge</p> <p>15 should be?</p> <p>16 A. That was not -- that was certainly one of</p> <p>17 the issues. It was not the -- sitting here I don't</p> <p>18 recall any issues discussing with people that were</p> <p>19 directly involved that really did not relate to</p> <p>20 capacity though. It seemed like it all did seem to</p> <p>21 relate to capacity.</p> <p>22 Q. So the capacity as far as you know was</p> <p>23 the only issue in that case.</p> <p>24 A. I mean, it was a comprehensive agreement.</p>	<p>1 Q. Other than the 205 FERC filing that you</p> <p>2 mentioned earlier and the 10-2929 case and this case,</p> <p>3 have you ever calculated a capacity charge to be</p> <p>4 charged to retail electric suppliers?</p> <p>5 A. The only other instance besides the ones</p> <p>6 you mentioned that it may have been included we made</p> <p>7 FERC 206 filing somewhat related to the RAN, and I</p> <p>8 don't know how much that was relied on.</p> <p>9 Q. All right. So all of those things relate</p> <p>10 to the same general issue that you are appearing here</p> <p>11 today, what should the proper capacity charge be to</p> <p>12 retail electric suppliers, correct?</p> <p>13 A. Yes.</p> <p>14 MR. CONWAY: Could I have that Q and A</p> <p>15 read back. Sorry.</p> <p>16 (Question and answer read.)</p> <p>17 Q. I am going to have you refer to page 10</p> <p>18 of your testimony.</p> <p>19 A. Okay.</p> <p>20 Q. And there you refer, and I am talking</p> <p>21 about the first question and answer, to an energy</p> <p>22 credit.</p> <p>23 A. Yes.</p> <p>24 Q. And by energy credit you mean a credit</p>
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<p>1 There may have been other issues. That's the only</p> <p>2 one that comes to my mind.</p> <p>3 Q. Okay. So it is possible that the</p> <p>4 settlement reached in that case dealt with the</p> <p>5 capacity charge and other issues, correct?</p> <p>6 A. Yes.</p> <p>7 Q. Now, other than the 205 FERC filing and</p> <p>8 the filing in the 10-2929 case and in this case, have</p> <p>9 you prepared any calculations for a capacity charge</p> <p>10 to be charged to retail electric suppliers?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. What other cases or matters have</p> <p>13 you done that for?</p> <p>14 A. Well, I think it was a previous question</p> <p>15 back when I was in the pricing department like the --</p> <p>16 I said the Virginia base case I was involved in with</p> <p>17 the rate design. That would have been capacity</p> <p>18 charges to retail customers.</p> <p>19 Q. Okay. I think my question, and perhaps I</p> <p>20 misstated it, was retail electric suppliers, not</p> <p>21 customers.</p> <p>22 A. Okay. I understand.</p> <p>23 Q. So let me give you the question again.</p> <p>24 A. Okay.</p>	<p>1 for the sales of energy that will be deducted from</p> <p>2 costs, correct?</p> <p>3 A. From -- yes.</p> <p>4 Q. Are -- well, I will back up. And the</p> <p>5 credit that you list there is shown as \$7.73 per</p> <p>6 megawatt day and \$9.94 per megawatt day, correct?</p> <p>7 A. Correct.</p> <p>8 Q. Now, does that -- do those numbers</p> <p>9 reflect all of the sales of -- all of the revenues</p> <p>10 from the sales of energy?</p> <p>11 A. I don't follow your question.</p> <p>12 Q. Okay. Well, there is a number that we</p> <p>13 can look somewhere --</p> <p>14 A. Yes.</p> <p>15 Q. -- that would say all of AEP Ohio's</p> <p>16 energy sales are so much, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And my question is is -- is the energy</p> <p>19 credit, that number, that is, all of the energy sales</p> <p>20 revenue?</p> <p>21 A. This is -- these are hypothetical energy</p> <p>22 credits based on an absence of an average -- absence</p> <p>23 of load so I can't point back to any actual amount of</p> <p>24 energy sales to kind of reconcile with these numbers.</p>

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1 Q. Okay. Is it the intent of your formula
2 to give a credit for all of the sales of energy?

3 A. It is the intent -- we did not -- for the
4 record we did not propose an energy credit, but if
5 the Commission should in the 10-2929 case chose to
6 adopt one, this was our best calculation of what an
7 appropriate amount of energy credit could -- could be
8 and that is the intent, to give a credit of energy at
9 a hypothetical level.

10 Q. And would that hypothetical level be the
11 level of expected sales of energy?

12 A. We -- if I understand what you are
13 getting at, we calculated a hypothetical energy
14 credit, we reduced it by 50 percent, and that
15 represents these numbers since we are confident that
16 it's unlikely to be at a 100 percent level --

17 Q. Okay.

18 A. -- so.

19 Q. Why -- why do you use the 50 percent as
20 opposed to 100 percent?

21 A. It's judgment and reason because, again,
22 it's --

23 Q. Well, why -- why do you not give
24 100 percent? Can you explain that?

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1 A. Certainly. The way these formulas are
2 calculated is you are using a historic period to give
3 an energy credit going forward so you can pretty
4 easily visualize a scenario wherein, say, high -- if
5 wholesale markets came back, there was a high
6 wholesale period there, you know, there may be very
7 little customer shopping, and yet at the end of that
8 year the means of calculating the energy credit would
9 reflect like, well, had we not been serving those
10 customers, in theory we could have made a lot of
11 money in the wholesale market.

12 You calculate that energy credit, and
13 then you move to the subsequent period, maybe
14 wholesale markets drop dramatically, okay, now,
15 customers leave so you would be giving an overstated
16 energy credit at 100 percent because, you know, it's
17 not -- it's a hypothetical calculation from a prior
18 period.

19 Q. So you are basically trying to understand
20 how much energy you are selling and to do that you
21 need to know what your required load was, your POLR
22 load, for example?

23 A. I -- we use our total load for the prior
24 period, both shopped customers and nonshopped, to get

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1 the entire load shape.

2 Q. Right. But to come up with this credit,
3 you would have to judge how much of your energy
4 sales, and to understand what your energy sales would
5 be you would have to know what your nonshopping load
6 was, correct?

7 A. Well, to come up with a CRES ~~provider~~
8 specific calculation, you would have to look at a
9 specific CRES provider's load taken, if that answers
10 your question.

11 Q. No.

12 A. Okay.

13 Q. I guess I'm going back to why not
14 100 percent.

15 A. Okay.

16 Q. And my -- my understanding of what you
17 said, and I could be in the dark and I wouldn't be
18 surprised if I was, is that 100 percent credit would
19 assume 100 percent shopping; is that correct?

20 A. No. 100 percent credit would assume that
21 during the historic period, if I had lost my load and
22 sold it into market, I would have made that much
23 off-system sales, but it's a hypothetical from a
24 prior period, something that you know going in didn't

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1 really happen, so in a way in my mind that's like
2 representing the absolute best possible outcome which
3 is not likely.

4 Q. Okay.

5 A. And so that's why I believe it should be
6 some number less than 100 percent.

7 Q. Okay. Would it be fair to say that the
8 amount of the credit depends upon the amount of
9 expected shopping?

10 A. Not the way we calculate it because
11 that's the point. We use the entire load, shopped
12 and nonshopped.

13 Q. But you only get 50 percent, right?

14 A. Correct, because we don't -- when you --
15 if you lose load, you are not guaranteed to sell
16 megawatt per megawatt. As a matter of fact, we
17 usually don't see that. If a muni or co-op left us
18 and we sold 50,000 megawatt hours to them, we may
19 only back sell 25,000 if you tried to do an
20 incremental analysis of that.

21 Q. So the reason why you don't give
22 100 percent is because you don't expect to get a
23 megawatt-for-megawatt exchange of load lost to
24 shopping versus energy sold off-system?

10 (Pages 37 to 40)

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<p>1 A. That's fair, yes.</p> <p>2 Q. And the 50 percent then comes from what?</p> <p>3 You said judgment. What's that judgment based on?</p> <p>4 A. Well, judgment, reason, and 50/50 sharing</p> <p>5 has been a fairly common sharing of like net energy</p> <p>6 revenues, off-system sales, whatever you want to call</p> <p>7 it, in various jurisdictions, both retail and for</p> <p>8 FERC wholesale contracts. So it seemed like a -- you</p> <p>9 know, if you are going to adopt an energy credit, it</p> <p>10 seemed kind of like a fair -- fair amount, somewhere</p> <p>11 between 0 and 100 percent.</p> <p>12 Q. So you don't think it's appropriate to</p> <p>13 use historical off-system sales to come up with the</p> <p>14 energy credit, fair to say?</p> <p>15 A. I think -- these aren't even -- it's</p> <p>16 sales based on a historic period of markets. It's</p> <p>17 not historical off-system sales. And even if you did</p> <p>18 something in the current period or future period, you</p> <p>19 are going to be forecasting. Again, no matter how</p> <p>20 you do it it's a hypothetical in my mind.</p> <p>21 Q. Okay. But whatever that hypothetical</p> <p>22 level of sales might be, are you giving the entire</p> <p>23 credit in your hy -- in your methodology?</p> <p>24 A. No, for the reasons I --</p>	<p>1 only 25 percent.</p> <p>2 Q. Where is that?</p> <p>3 A. Some of our wholesale contracts in</p> <p>4 Kentucky and Appalachian but our retail jurisdictions</p> <p>5 also vary all over the place as well.</p> <p>6 Q. Is it your view that it is never at</p> <p>7 100 percent?</p> <p>8 A. No. I believe our West Virginia</p> <p>9 jurisdiction is one that comes to mind we give back</p> <p>10 100 percent of off-system sales but let me draw a</p> <p>11 distinction there. Those are real off-system sales.</p> <p>12 Those are once you've served and you sell some</p> <p>13 surplus load into the market, what the sharing is, so</p> <p>14 that's a different distinction in Ohio. For this</p> <p>15 it's zero at this point in time.</p> <p>16 Q. Are you familiar with the methodology for</p> <p>17 determining net CONE?</p> <p>18 A. I understand the basic methodology for</p> <p>19 that.</p> <p>20 Q. Would it be fair to say that's not the</p> <p>21 methodology you used here to come up with that</p> <p>22 charge?</p> <p>23 A. We are not proposing net CONE.</p> <p>24 Q. Okay. But, again, you didn't use that</p>
Page 42	Page 44
<p>1 Q. Right.</p> <p>2 A. -- explained.</p> <p>3 Q. So, again, with respect to the</p> <p>4 calculation of hypothetical off-system sales, you are</p> <p>5 not providing 100 percent of that hypothetical level,</p> <p>6 correct?</p> <p>7 A. Correct.</p> <p>8 Q. Can you point me to any specific contract</p> <p>9 where there's this 50/50 sharing that you've</p> <p>10 mentioned earlier?</p> <p>11 A. Well, even in Prescott they share 50/50</p> <p>12 on the off-system sales, you know. There's several</p> <p>13 of our Indiana and Michigan wholesale contracts that</p> <p>14 use 50/50. Retail jurisdictions I'm sure that's</p> <p>15 used.</p> <p>16 Q. Pardon?</p> <p>17 A. Some retail jurisdictions like Indiana</p> <p>18 50/50 is used.</p> <p>19 Q. And when you say it's used, can you be</p> <p>20 more specific?</p> <p>21 A. Well, it's used to allocate, you know,</p> <p>22 for off-system sales how much goes to -- is retained</p> <p>23 by the company and then how much is provided back to</p> <p>24 customers in the form of a credit. Other places it's</p>	<p>1 methodology, correct?</p> <p>2 A. No. That's based on a CT or combined</p> <p>3 cycle and it's got a lot of coal units in it.</p> <p>4 Q. Could you turn to Exhibit KDP-5. Are you</p> <p>5 there?</p> <p>6 A. Okay.</p> <p>7 Q. Are you there?</p> <p>8 A. Yes.</p> <p>9 Q. What's the purpose of this exhibit?</p> <p>10 A. It was a comparison to -- in support of</p> <p>11 the testimony just to compare some of the current PJM</p> <p>12 market prices versus the company's proposed rates.</p> <p>13 Q. And what is the purpose of putting the</p> <p>14 150 percent of net CONE in?</p> <p>15 A. The way that the RPM runs their auction</p> <p>16 they actually set up an administratively determined</p> <p>17 demand curve called VRR, and the first portion of</p> <p>18 that curve if you start at 0 installed reserve margin</p> <p>19 out, it's downward sloping, actually starts out at</p> <p>20 150 percent of CONE. And actually I believe that's</p> <p>21 divided by one minus a systemwide equivalent forced</p> <p>22 outage rate demand which I didn't even put in here.</p> <p>23 Q. So why did you use net CONE?</p> <p>24 A. I'm sorry?</p>

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1 Q. Why did you use net CONE?
 2 A. Why do I use net CONE? I have both on
 3 here, gross CONE and net CONE.
 4 Q. Why put net CONE in?
 5 A. Well, net CONE is a fairly common talked
 6 about value. The way that the administratively set
 7 demand curve works is that it starts out at
 8 150 percent of net CONE -- I believe -- I'm sorry.
 9 Did I say earlier -- I have to correct myself. If I
 10 said 150 percent of gross net CONE, I should have
 11 said 150 percent of net CONE.
 12 Q. Okay. Then I withdraw my question.
 13 A. Sorry. Sorry.
 14 Q. Well, let me back up.
 15 A. Okay.
 16 Q. Why did you use 150 percent of net CONE?
 17 Let's see if we can get a clean answer.
 18 A. 150 percent of net CONE is where the
 19 administrative curve starts out at with E4P
 20 adjustment.
 21 Q. What does that mean?
 22 A. Well, I believe they will take that but
 23 they will divide it by one minus the average -- I'm
 24 sorry, E4D adjustment, that is, the -- the average

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1 systemwide forced outage rate across all the PJM
 2 resources. It's not going to be a big adjustment.
 3 Q. Now, did you provide any information to
 4 Ms. Thomas for her testimony?
 5 A. Nothing that she asked me for directly.
 6 Q. Okay.
 7 A. She, I believe, saw my testimony.
 8 Q. Does your -- well, strike that.
 9 Is it correct to say that if customers
 10 are being charged -- back up.
 11 Let me try again.
 12 Would it be fair to say that your view is
 13 that unless CRES suppliers are charged on a cost
 14 basis that somebody is subsidizing somebody else?
 15 A. Yes.
 16 Q. In the situation where the charge is
 17 below cost or below what you would consider to be a
 18 cost-based charge, who is subsidizing whom?
 19 MR. CONWAY: Your frame reference is a
 20 charge to the CRES provider.
 21 MR. KUTIK: Correct.
 22 A. Could you be more specific with the
 23 question --
 24 Q. How --

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1 A. -- or read it back?
 2 MR. KUTIK: Sure. Would you read it
 3 back.
 4 MR. CONWAY: Would you please read it
 5 back.
 6 (Question read.)
 7 A. You said just charged generically.
 8 Q. We are talking about the capacity charge,
 9 are we not?
 10 A. Yes. So you are saying if we didn't
 11 charge the capacity charge as proposed, somebody is
 12 subsidizing somebody else; is that my understanding?
 13 Q. That's your view, correct?
 14 A. Yes, that is my view.
 15 Q. And my question is who is subsidizing
 16 whom?
 17 A. Okay. If you look strictly at the
 18 capacity charge in isolation, it is going to be some
 19 combination in this context of AEP shareholders or
 20 other customers.
 21 Q. So it would be a combination of AEP
 22 shareholders and nonshopping customers?
 23 A. Yes. And when I say some combination, I
 24 mean it could be 100 percent one or the other or some

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1 blending of it.
 2 Q. Okay. Did you do any analysis to
 3 determine the amount of any subsidies that might take
 4 place at what I will call below cost capacity
 5 charges?
 6 A. I think Company Witness Munczinski may
 7 have spoken to those numbers, the comparison of
 8 proposed -- the -- by some suggested RPM versus the
 9 rate in the settlement to show that. That to me
 10 would be about the level of the subsidy.
 11 Q. I guess I am not talking about the level
 12 of the subsidy, but I am specifically talking about
 13 who would subsidize who. Did you do any analysis to
 14 determine that?
 15 A. No.
 16 Q. Are you aware of anyone within the AEP
 17 who did an analysis to determine whether it would be
 18 shareholders or other customers that would be
 19 subsidizing the CRES charge if it was below cost?
 20 A. No.
 21 Q. Is it your belief that by charging the
 22 255 charge that CRES providers are receiving a
 23 subsidy?
 24 A. Absent the rest of the stipulation, I

1 would say yes.

2 Q. Okay. And why do you say "absent the
3 rest of the stipulation"?

4 A. I wasn't involved in the stipulation, but
5 I understand it's a typical settlement where there
6 was give and take on both sides, so looked at in
7 total it may be a fair compromise position for AEP.

8 Q. Okay. But just looking at the capacity
9 part, there is a subsidy?

10 A. Yes.

11 Q. Okay. And as far as you know as part of
12 the settlement, that subsidy may be counterbalanced
13 by other parts of the stipulation?

14 A. That's correct.

15 Q. Is it your view that starting -- I'll
16 back up.

17 What is your understanding of when CRES
18 providers will be charged on an RPM price basis for
19 all of the capacity?

20 A. Do the math.

21 THE WITNESS: Sorry. Could you repeat
22 the question?

23 (Question read.)

24 A. My understanding of the stipulation is in

1 is a very clear subsidy.

2 Q. Well, isn't it true that the Genco would
3 have to be -- would be required to bid in its
4 capacity into the RPM auction?

5 A. Into the RPM auction, yes.

6 Q. Okay. And --

7 A. Distinguished from the Ohio auction that
8 we are talking about for the nonshopping load.

9 Q. Right. And then you understand --

10 A. Let me reverse myself on that. There are
11 provisions where you can delist capacity from PJM
12 that you don't necessarily have to even in PJM offer
13 your capacity. I'm not familiar with all -- what all
14 those exceptions are. But as a general rule, I'll
15 accept your statement.

16 Q. Well, for example, if there is a
17 bilateral contract.

18 A. Yes.

19 Q. Okay. But assuming there is no bilateral
20 contract, the Genco would be required to bid its --
21 all its capacity into the RPM auction, correct?

22 A. For capacity that is not committed
23 elsewhere, that would be correct.

24 Q. And with respect to that capacity, CRES

1 the next auction, the '15-'16 auction, that would
2 start the period at which all CRES providers would
3 presumably be charged RPM unless they potentially
4 elect to self-supply capacity.

5 Q. Okay. Will CRES providers be receiving a
6 subsidy then?

7 A. Well, I would say no in the context that,
8 again, this is where you have to look at the
9 stipulation in total, we have corporate separation as
10 a part of that. So effectively if you have a wires
11 company and it's, you know, auctioned off all the
12 load and it's passing through those costs, then there
13 wouldn't be -- I cannot think sitting here there
14 would be a subsidy at that point --

15 Q. Okay.

16 A. -- under that market framework.

17 Q. Would there be a subsidy from the Genco?

18 A. You know, not if they had a choice at
19 that point in time about how much they are able to
20 supply capacity in Ohio at whatever price they choose
21 to try to participate in the auctions or whatever,
22 no, that's a willing choice. If somehow they were
23 ordered by the PUCO to supply capacity in the auction
24 at 10 bucks a megawatt day, I would say, yeah, there

1 providers would be buying it on an RPM price basis,
2 correct?

3 A. They would be buying enough RPM capacity
4 to supply their needs. I don't think the way it
5 works that you are going to point back an LSC load
6 capacity to a specific resource under the nature of
7 RPM. It's kind of all blended together. Those were
8 a portion of it, yes.

9 Q. Whatever capacity needs they have, they
10 will buy it at the RPM price.

11 A. That's correct, that's correct.

12 Q. And so my question to you is in the
13 situation where the Genco is bidding into the RPM
14 auction and the suppliers are buying their capacity
15 needs from the RPM auction or through the RPM
16 process, is there a subsidy there?

17 A. No. Like -- I think I answered that a
18 few minutes ago. I don't recognize unless there was
19 some strange set of circumstances. Willing offers in
20 that case, then, yes. But, no, there is no subsidy I
21 can think of. And another exception to us offering
22 capacity and obviously would be if we retire some
23 units so any inactive units would not be offered.

24 Q. Sure. Does PJM have to approve the

Page 53	Page 55
<p>1 retirement of those assets?</p> <p>2 A. Yes.</p> <p>3 Q. Is it true that there are parts of AEP</p> <p>4 outside Ohio that are members of PJM?</p> <p>5 A. Yes.</p> <p>6 Q. And would that be what you would have</p> <p>7 described earlier as AEP East?</p> <p>8 A. Those plus the AEP Ohio, yes.</p> <p>9 Q. Well, is AEP Ohio part of AEP East?</p> <p>10 A. Currently, yes. The AEP cell, yes.</p> <p>11 Q. And is it the case that all of AEP East</p> <p>12 is meeting its capacity requirements through the FRR</p> <p>13 process?</p> <p>14 A. That would be correct.</p> <p>15 MR. CONWAY: Just a second.</p> <p>16 MR. KUTIK: Do you want to go off the</p> <p>17 record?</p> <p>18 MR. CONWAY: Yes.</p> <p>19 (Recess taken.)</p> <p>20 (Question read.)</p> <p>21 Q. Is it the case that FERC has required AEP</p> <p>22 to supply capacity at formula-based rates in areas</p> <p>23 outside of Ohio?</p> <p>24 A. They have -- I don't know if I would use</p>	<p>1 able to engage in off-system sales even if there was</p> <p>2 no shopping?</p> <p>3 A. There -- I would believe there would be</p> <p>4 some, yes.</p> <p>5 Q. Okay. Is that amount of revenue</p> <p>6 calculable?</p> <p>7 A. For this period?</p> <p>8 Q. Yes.</p> <p>9 A. Yeah, you could come up with a</p> <p>10 calculation of that, yes.</p> <p>11 Q. Did you do that?</p> <p>12 A. No. Well, let me be clear. I have done</p> <p>13 a lot of analysis over the years on several things.</p> <p>14 Q. Did you do that for this case?</p> <p>15 A. No, no, I did not.</p> <p>16 Q. Let me have you turn to Exhibit KDP-3,</p> <p>17 page 2 of 2.</p> <p>18 A. Okay.</p> <p>19 Q. And would it be correct to say that</p> <p>20 what's shown here would be the recommended energy</p> <p>21 credit if the Commission was going to provide an</p> <p>22 energy credit in the capacity price?</p> <p>23 A. Yes.</p> <p>24 Q. Let me ask you some questions about</p>
Page 54	Page 56
<p>1 the word "required." They have accepted us supplying</p> <p>2 capacity at formula-based rates under some of our</p> <p>3 formula-based agreements with munis and co-ops</p> <p>4 outside of Ohio.</p> <p>5 Q. Do you know whether AEP fails FERC market</p> <p>6 power tests?</p> <p>7 A. We have market-based rate authority in</p> <p>8 the East. We do not have it in SPP is my current</p> <p>9 understanding.</p> <p>10 Q. I'm sorry.</p> <p>11 A. In Southwest Power Pool, our AEP West</p> <p>12 zone.</p> <p>13 Q. And why is that?</p> <p>14 A. Well, in the West I think it's seen as we</p> <p>15 would somehow have potentially impact on the market</p> <p>16 or something so we are not allow to have</p> <p>17 market-based --</p> <p>18 Q. There is some market power issue as you</p> <p>19 understand it that precludes certain parts of AEP</p> <p>20 from having market-based authority.</p> <p>21 A. Yeah, at this point in time. I mean, I</p> <p>22 think we could file for it so it may not any longer</p> <p>23 be the case, but it's my current understanding.</p> <p>24 Q. Is it the case that AEP Ohio would be</p>	<p>1 what's shown here. First, the energy value that's</p> <p>2 shown, is that the margin?</p> <p>3 A. Yeah. That would be the difference</p> <p>4 between the revenue and cost so, yeah, I would call</p> <p>5 that a margin.</p> <p>6 Q. Okay. And it would be the revenue from</p> <p>7 energy sales less variable costs?</p> <p>8 A. Yes.</p> <p>9 Q. The next thing you said is the Ohio</p> <p>10 retail jurisdiction allocation. I think I know the</p> <p>11 answer to this but why is OPCo at 91.971 percent?</p> <p>12 A. Because of the Wheeling Power</p> <p>13 jurisdiction. Wholesale contract, some would be</p> <p>14 allocated to that.</p> <p>15 Q. Now, could you explain line 8.</p> <p>16 A. Yes. I took 40 percent of the capacity</p> <p>17 rate, the company's proposed capacity rate, without</p> <p>18 the energy credit and calculated \$131.04 per megawatt</p> <p>19 day.</p> <p>20 Q. Why did you do that?</p> <p>21 A. Excuse me. Part of our proposal in the</p> <p>22 10-2929 case was that there was -- would be a cap on</p> <p>23 the amount of energy credit that could be provided</p> <p>24 back if the Commission was to adopt.</p>

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1 Thank you very much.

2 Q. Is that the company's proposal here, that
3 the cap be 40 percent?

4 A. Well, I think it's more of a moot point
5 in the stipulation case because, you know, no matter
6 how you look at it we're above 255 so saying, you
7 know, in no instance should it go below. The energy
8 credit should be above 131. For the period we
9 calculated it was only 773 so.

10 Q. But I'm not sure you answered my
11 question.

12 MR. KUTIK: Could you read the question,
13 please.

14 A. Sure.

15 (Question read.)

16 A. In the stipulation because the rates are
17 set there is no need for any cap. The other proposal
18 was for we would adjust the rate year by year and
19 that was the cap that would be applied.

20 Q. Okay.

21 A. So I would say it's inapplicable.

22 Q. Well, is it the case that in terms of
23 coming up with what the -- what the charge should
24 have properly been you used a cost-based rate, your

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1 proposal would be you should use a 40 percent cap?

2 A. Yes.

3 Q. Okay. And the basis for that is what?

4 A. Well, it kind -- it comes back to some of
5 the -- I think our previous discussions in that
6 because we would be calculating hypothetical energy
7 value over a prior period and applying that forward
8 that, you know, if wholesale markets came back
9 incredibly strong for a certain period but we were
10 serving most of the load, most of the load was
11 nonshopping, and then, you know, such that but when
12 we calculated an energy credit as though those
13 customers had really been shopping and we came up
14 with some very large, inflated energy credit that
15 reduced the capacity charges down to, you know,
16 virtually nothing, then it just would not
17 intuitive -- I mean, to me it's intuitive that in the
18 subsequent period you shouldn't be giving the
19 capacity away at some low period. If wholesale
20 markets then dropped, you are not going to make that
21 level on off-system sales.

22 Q. I guess what's not intuitive to me is why
23 you would not provide a number that's based upon all
24 of historical off-system sales and use that number as

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1 your credit. Why is that wrong?

2 A. This -- to be clear, this is the amount
3 of the energy value that's the margin on -- created
4 by a CRES. Hypothetically if a CRES provider had
5 taken a retail customer, freed up some capacity, so
6 that's the only piece of -- of energy value we call
7 it or margin being created, what would that have

8 translated into in energy credit and that's here.
9 And so that's the calculation. It's not what actual
10 off-system sales were for a period or anything. It's
11 the result of the customer leaving.

12 Q. Well, the off-system sales are produced
13 by the capacity that is in part being paid for by the
14 CRES supplier, correct?

15 A. In part, yes. Under those full embedded
16 capacity cost rates, yes, they are.

17 Q. Is it -- it is your understanding that
18 when wholesale suppliers are permitted to bid on --
19 back up.

20 Is it your -- is it your understanding
21 that wholesale suppliers will be permitted to bid on
22 nonshopping load for AEP Ohio starting in -- starting
23 for the delivery year beginning in July -- it should
24 be June, 2015?

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1 A. Yes, that's my understanding.

2 Q. And is it your understanding that those
3 wholesale suppliers will be able to purchase capacity
4 at the RPM price?

5 A. Okay. Let me be clear. You're talking
6 about which suppliers?

7 Q. The wholesale suppliers that would be
8 participating in the competitive bidding process to
9 support the load beginning in June, 2015.

10 A. You know, I'm just really not sure about
11 that.

12 Q. Would they be required to purchase
13 capacity at -- from AEP?

14 A. No, no.

15 Q. Can you think of a reason why those
16 suppliers would not be purchasing capacity at the RPM
17 price?

18 A. Well, I don't know if all the details of
19 how that auction process is going to work have been
20 ironed out so.

21 Q. Do you have a recommendation on that?

22 A. Not at this time.

23 Q. Okay. I assume that you haven't thought
24 about it or talked about that internally with anyone

15 (Pages 57 to 60)

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1 at AEP.
 2 A. No, I haven't. A lot of parts to the
 3 stipulation. I haven't got to that one yet.
 4 Q. Okay. Do you know what percent of AEP
 5 Ohio's capacity is located outside of Ohio?
 6 A. Not off the top of my head. I mean, I
 7 know of some plants outside of Ohio.
 8 Q. Do you have a rough figure?
 9 A. Not -- not in total, I mean, they own --
 10 Ohio Power owns, you know, two-thirds of Amos 3 which
 11 is about 833 megawatts that's located in West
 12 Virginia. They own the Mitchell plants which I think
 13 could be about 1,500 megawatts that's outside of West
 14 Virginia.
 15 MR. CONWAY: Could I have that answer
 16 read back, please.
 17 MR. KUTIK: Let him finish his answer.
 18 MR. CONWAY: I'm sorry.
 19 A. Columbus Southern has a contract so they
 20 don't own it but they have some contract -- long-term
 21 contract for power out of the Lawrenceburg gas
 22 facilities which are located in Indiana. Those are
 23 the three off the top of my head.
 24 MR. CONWAY: Okay. Could you read that

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1 answer back for me.
 2 (Answer read.)
 3 A. Oh, that's in West Virginia, outside of
 4 Ohio. Excuse me.
 5 Q. So which plants are in West Virginia?
 6 A. The ones that I can think of right now
 7 are Amos 3 -- as far as with AEP Ohio ownership?
 8 Q. Yes.
 9 A. Amos 3 and Mitchell --
 10 Q. Do you know --
 11 A. -- and Lawrenceburg.
 12 Q. Do you know what percent of AEP Ohio's
 13 capacity is used to meet the requirements of AEP
 14 Ohio's customers?
 15 A. No, I don't.
 16 Q. Do you know whether any part of AEP has
 17 participated in any competitive bidding processes to
 18 supply POLR load to customers in Ohio?
 19 A. AEP has participated in, I believe, a
 20 FirstEnergy auction to supply some capacity for their
 21 integration into PJM, if that's -- if that would fall
 22 under what you were asking. That comes to mind.
 23 Q. Okay. Are you aware of whether AEP was
 24 successful in that auction?

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1 A. Can I ask my attorney?
 2 Q. Yes.
 3 THE WITNESS: Are we getting into
 4 confidential?
 5 MR. CONWAY: I don't know. I don't think
 6 so.
 7 ~~Q. I believe the winners are a matter of~~
 8 public record.
 9 MR. CONWAY: Yeah. I think, you know,
 10 whether AEP -- is that the word?
 11 MR. KUTIK: Any part of AEP.
 12 MR. CONWAY: Talking about AEP has
 13 succeeded in getting a tranche or whatever they call
 14 them, the portions of the auction, if you know that,
 15 I think you can say that.
 16 A. I understand that we did.
 17 Q. Okay.
 18 A. Some.
 19 Q. Do you know what the price was?
 20 A. It seems to me there was two pieces.
 21 Again, if my understanding it's not confidential, I
 22 want to say like something less 70 to 80 plus dollar
 23 per megawatt day range.
 24 Q. Did AEP participate in more than one

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1 auction for FirstEnergy operating companies?
 2 A. I don't know.
 3 Q. Okay. But whatever auction or auctions
 4 they may have participated in, that is, AEP, the
 5 price that AEP bid was somewhere in the neighborhood
 6 of 70, 80 dollars?
 7 A. Winning portion, yes.
 8 Q. Has any part of AEP participated in
 9 competitive bidding processes for POLR loads outside
 10 of Ohio?
 11 A. It's my understanding we have.
 12 Q. Okay. And was AEP successful in any of
 13 those other processes?
 14 A. Yes, I believe we have been.
 15 Q. Can you tell me what other processes AEP
 16 was successful in bidding?
 17 A. I don't recall the specific, you know,
 18 utilities like nonshopping load. It was traditional
 19 auctions with tranches, which ones in particular.
 20 Q. Can you tell me the states?
 21 A. Not off the top of my head, no, I can't.
 22 I'm not too involved with that process.
 23 Q. I'm sorry. What did you say at the end?
 24 A. I said I am not real involved with our

16 (Pages 61 to 64)

<p style="text-align: right;">Page 65</p> <p>1 auction process as far as participating in those 2 types of things. Of course, all our, you know, 3 participation in all those was voluntary on our part. 4 We weren't ordered to provide any capacity at any 5 particular price. 6 Q. Well, I guess that's the point that you 7 were -- you didn't do it voluntarily. You did it 8 voluntarily at a certain price, correct? 9 A. We voluntarily offered either surplus 10 capacity or capacity that we obtained from the market 11 and resold at a higher price, yes. 12 Q. Do you have the stipulation with you? 13 A. I don't. 14 Q. Let me show you a copy. 15 A. All righty. 16 Q. And let me specifically refer you to page 17 7 and specifically paragraph F. 18 A. Uh-huh. 19 Q. Are you there? 20 A. Yes. 21 Q. And it refers to an average rate of a 22 little under 2-1/2 cents per kilowatt hour, correct, 23 on the second line? 24 THE WITNESS: Could you read that</p>	<p style="text-align: right;">Page 67</p> <p>1 extent there are no retirements, the generation 2 assets of AEP Ohio will be offered into the RPM 3 process? 4 A. That -- that is my -- I am presuming 5 that. 6 Q. Okay. That's your understanding. 7 A. That's my understanding sitting here 8 today. 9 MR. KUTIK: Let's go off the record. 10 A. Well, let me -- 11 Q. Let's not go off the record. Do you have 12 something you want to say? 13 THE WITNESS: Sorry. 14 MR. CONWAY: No, I'm sorry. Go ahead. I 15 thought we were at the finish line. That's all. 16 A. All I was going to say when I say that 17 from my understanding, I am conjecturing with that 18 answer. I want to be clear, I am not the decision 19 maker in that process. 20 Q. Understood. 21 A. Okay. 22 Q. Someone who has some knowledge within the 23 company. I don't. I am getting your understanding, 24 correct?</p>
<p style="text-align: right;">Page 66</p> <p>1 question back? 2 (Question read.) 3 A. You said a little under 2? 4 Q. Yes. 5 A. Yes. 6 Q. And the specific is \$0.0245 per kilowatt 7 hour, correct? 8 A. Correct. 9 Q. Do you know what the cost of capacity is 10 within that number? 11 A. No, I do not. 12 Q. Is it your understanding that after 13 June -- or for the delivery year beginning June, '15, 14 that's 2015, and afterwards, AEP Ohio's generation 15 will be offered into the RPM auction? 16 MR. CONWAY: Could I have that question 17 reread? 18 (Question read.) 19 A. Subject to all the constraints that we 20 talked about earlier as far as things are committed 21 elsewhere, retirements, et cetera, et cetera, my 22 presumption sitting here today is that it would be. 23 Q. Okay. So to the extent there aren't 24 commitments on that capacity preexisting and to the</p>	<p style="text-align: right;">Page 68</p> <p>1 A. Okay. 2 MR. KUTIK: Let's go off the record. 3 (Discussion off the record.) 4 Q. Okay. Let's go back on the record. 5 Would you consider stranded costs to be costs that 6 the -- a utility cannot recover in a deregulated 7 market? 8 A. I would accept that as one definition of 9 stranded costs. 10 Q. And in a deregulated market, a utility 11 charging market-based prices, correct? 12 A. Not necessarily. 13 Q. Okay. Well, it isn't -- well, for those 14 things that are deregulated -- 15 A. For those things that are deregulated, 16 parties are still -- can enter into cost-based 17 contracts. 18 Q. Okay. But in the absence of a cost-based 19 contract, you know, people in a deregulated market 20 are more likely to pay a market-based price, correct? 21 A. I wouldn't necessarily agree with that. 22 MR. KUTIK: Okay. I have no further 23 questions. And since it is apparent that no one on 24 the phone has any questions, at this time in the</p>

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deposition, Mr. Pearce, I advise you that you have a right to read the transcript and to correct any transcription errors and you also have the ability to waive that right and you have to indicate on the record, and your counsel will do that now, what you wish to do.

MR. CONWAY: We will read the transcript.
Thank you.

MR. KUTIK: We are concluded.
(Thereupon, the deposition was concluded at 10:59 a.m.)

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CERTIFICATE

State of Ohio :

: SS:

County of Franklin :

I, Karen Sue Gibson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Kelly D. Pearce was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 24th day of September, 2011.

Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

My commission expires August 14, 2015.

(KSG-5420a)

Page 1

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :
Application of Ohio Power :Case No. 10-2376-EL-UNC
Company and Columbus :
Southern Power Company for:
Authority to Merge and :
Related Approvals. :

In the Matter of the :
Application of Columbus :Case No. 11-346-EL-SSO
Southern Power Company :Case No. 11-348-EL-SSO
and Ohio Power Company for:
Authority to Establish a :
Standard Service Offer :
pursuant to Section :
4928.143, Revised Code, in:
the Form of an Electric :
Security Plan. :
In the Matter of the :
Application of Columbus :Case No. 11-349-EL-AAM
Southern Power Company :Case No. 11-350-EL-AAM
and Ohio Power Company :
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of Columbus :Case No. 10-343-EL-ATA
Southern Power Company to :
Amend its Emergency :
Curtailment Service :
Riders. :
In the Matter of the :
Application of Ohio :Case No. 10-344-EL-ATA
Power Company to Amend its:
Emergency Curtailment :
Service Riders. :
In the Matter of the :
Commission Review of :Case No. 10-2929-EL-UNC
the Capacity Charges of :
Ohio Power Company and :
Columbus Southern Power. :

Page 2

1 In the Matter of the :
2 Application of Columbus :Case No. 11-4920-EL-RDR
3 Southern Power Company for:
4 Approval of a Mechanism to:
5 Recover Deferred Fuel :
6 Costs Ordered under :
7 Section 4928.144, Ohio :
8 Revised Code. :
9 In the Matter of the :
10 Application of Ohio :Case No. 11-4921-EL-RDR
11 Power Company for Approval:
12 of a Mechanism to Recover :
13 Deferred Fuel Costs :
14 Ordered under Section :
15 4928.144, Ohio Revised :
16 Code :
17 :
18 :
19 :
20 :
21 :
22 :
23 :
24 :

DEPOSITION

of Teresa Ringenbach, taken before me, Rosemary F.
Anderson, a Notary Public in and for the State of
Ohio, at the offices of Jones Day, 325 John H.
McConnell Boulevard, Suite 600, Columbus, Ohio, on
Tuesday, September 27, 2011 at 1:06 p.m.

ARMSTRONG & OKEY, INC.
222 East Town Street, Second Floor
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

Page 3

1 APPEARANCES:

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16 Columbus, Ohio 43216-1008
17 On behalf of the Retail Energy Supply
Association.
18

EXHIBIT

G

Page 4

1 TERESA RINGENBACH,
2 being first duly sworn, as hereinafter certified,
3 deposes and says as follows:

EXAMINATION

By Mr. Kutik:

Q. What is your name?

A. Teresa Ringenbach.

Q. Ms. Ringenbach, have you submitted
testimony on two occasions in this case?

A. Yes.

Q. What I'd like to do, if it's okay with
you, is I'd like to refer to your July 25th testimony
as your direct testimony and your September 13th
testimony as your Stipulation testimony. Is that
acceptable?

A. Yes.

Q. All right. Now, I believe in both of
your testimonies you have listed some members of
RESA, correct?

A. I've listed all the members of RESA.

Q. And that was my next question. All the
members are RESA are shown or listed in your
testimony, right?

A. That's correct.

1 (Pages 1 to 4)

ARMSTRONG & OKEY, INC., Columbus, Ohio (614) 224-9481

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Page 5

1 Q. Does RESA have any officers?
 2 A. Yes.
 3 Q. And can you describe what offices there
 4 are and who holds them?
 5 A. There's president, which is David Fein;
 6 secretary is, I believe -- I'm doing this off the top
 7 of my head, so I know Steven Bennett is the
 8 secretary; Melissa Lauderdale is treasurer; vice
 9 president is Jay Kooper. And then RESA has an
 10 executive director, which is Tracy McCormick.
 11 Q. And how many staff people does RESA have?
 12 A. Tracy McCormick is executive director,
 13 and then she has an assistant.
 14 Q. And you?
 15 A. I'm not an employee of RESA.
 16 Q. What is your relationship with RESA?
 17 A. Direct Energy, the company I work for, is
 18 a member of RESA, and I represent Direct Energy for
 19 the Midwest states for RESA; and I'm also the state
 20 chair of Ohio for retail gas for RESA, and in the
 21 past I was the state chair for electric for Ohio.
 22 Q. Who is the current state chair for
 23 electric for Ohio?
 24 A. David Fein.

Page 6

1 Q. Mr. Bennett, what company is he with?
 2 A. Exelon.
 3 Q. And Lauderdale, what company is she with?
 4 A. Integrys Energy Services.
 5 Q. And Kooper, what company does he work
 6 for?
 7 A. Hess Corp.
 8 Q. Does RESA have a board?
 9 A. The Board is made up of the Executive
 10 Committee, which is the people that I mentioned
 11 before.
 12 Q. So the Board consists of the officers?
 13 A. Actually, no, I have that wrong. There's
 14 an Executive Board that consists of the officers, and
 15 then the Board members are made up of member
 16 companies, so each member company gets a vote as a
 17 Board member.
 18 Q. With respect to either meetings of the
 19 Executive Board or meetings of the Board, are there
 20 minutes?
 21 A. Yes.
 22 Q. Now, are those minutes regularly
 23 distributed to the members?
 24 A. Yes.

Page 7

1 Q. I take it you are not currently an
 2 officer of RESA, correct?
 3 A. I am not an officer of RESA, that's
 4 correct.
 5 Q. Do you currently sit on the Board of
 6 RESA?
 7 A. Each member company has -- is considered
 8 a member of the Board, so in terms of me personally
 9 sitting on the Board, it is actually Chris Kallaher,
 10 who is my boss, who holds the voting right, and then
 11 he can basically give proxy to whoever goes to the
 12 meeting on behalf of Direct.
 13 Q. And then unless Mr. Kallaher delegates
 14 his authority to you, you are not a member of the
 15 RESA Board.
 16 A. Right. My company is, but me
 17 individually am not.
 18 Q. Now, did you participate in the
 19 negotiations that led up to the Stipulation in this
 20 case?
 21 A. Yes.
 22 Q. What was your participation?
 23 A. I was in person and via phone
 24 representing RESA on behalf of Direct Energy, which

Page 8

1 is a member.
 2 Q. And did you report back to any members of
 3 the Board of RESA or the Executive Board of RESA with
 4 respect to what was going on during these
 5 negotiations?
 6 A. RESA held regular meetings to discuss
 7 their position in this case, so, yes, I participated
 8 in those meetings.
 9 Q. And were the discussions of those
 10 meetings reflected in minutes?
 11 A. No.
 12 Q. Would it be the case that you would get
 13 direction from members of either the Executive Board
 14 or the Board in terms of what RESA's position would
 15 be on certain issues during negotiation?
 16 A. RESA, as the entity, has guiding
 17 principles that members adhere to, but they don't
 18 have quarterly Board meetings specific to each
 19 individual case that they're in.
 20 Q. Well, I think you testified that you were
 21 in regular conversations or meetings with other
 22 representatives that make up RESA to discuss the
 23 events that were going on during the negotiations; is
 24 that right?

2 (Pages 5 to 8)

Page 9

1 A. Yes. RESA has a process whereby members
2 fund a case, and then the funding members are the
3 ones who participate, so the funding members would
4 have been part of the meetings specific to the case
5 where we discuss settlement negotiations.

6 Q. Okay. And would it be the case in these
7 meetings of the funding members that ~~you would report~~
8 what went on and others would give their reaction,
9 and then the group would come to a consensus to how
10 to react to what was going on?

11 A. Yes.

12 Q. So would it be fair to say that you were
13 getting direction from the folks you were talking to,
14 other members of RESA, as you were participating in
15 the negotiations?

16 A. Yes.

17 Q. During the negotiations that led up to
18 the Stipulation, did you prepare any analysis of the
19 relative benefits of the ESP versus an MRO?

20 A. No.

21 Q. Did you undertake any quantitative
22 analysis at all?

23 A. In terms of what is in my testimony
24 regarding the GS-2 credit separately, yes. The other

Page 10

1 items were basically just negotiated as part of
2 settlement. They weren't formal separate analyses
3 that were done.

4 Q. Okay. So there are some calculations you
5 did that appear in your testimony; that is, your
6 Stipulation testimony, correct?

7 MR. HOWARD: David, this is Steve Howard.
8 Is there a specific page you can refer us to?

9 MR. KUTIK: No. I was responding to her
10 last statement where she said that she did some
11 analysis that's in her testimony.

12 A. There's not an analysis in my testimony.
13 I had taken your question as, did I do any analysis
14 at all throughout the settlement negotiations.

15 Q. All right. Fair enough. Let me rephrase
16 my question; and that is, during the settlement
17 negotiations did you undertake an analysis, any
18 quantitative analysis, with respect to the issues
19 that were being discussed in those negotiations?

20 A. Only as it applies to when we had
21 discussed the credit for GS-2 customers.

22 Q. And explain that to me, please.

23 A. Only in the sense when looking at how the
24 MTR would affect savings for already switched GS-2

Page 11

1 customers, negotiating what level of credit would
2 avoid a customer seeing a significant impact on their
3 savings to those who had already switched.

4 Q. To the extent you did any quantitative
5 analysis during the course of Stipulation, it related
6 to the MTR Rider?

7 A. It related to the GS-2 credit that's part
8 of the MTR Rider section.

9 Q. And that's the only quantitative analysis
10 you did with respect to the Stipulation?

11 A. Yes.

12 Q. Now, do you recall a time during the
13 negotiations when FES was no longer participating?

14 A. I know there came a point where they were
15 no longer in the meetings, but I don't recall when
16 exactly that was.

17 Q. All right. From the point that you were
18 aware that FES was no longer in the meetings, did
19 RESA have any discussions with FES about what was
20 going on in the settlement negotiations?

21 A. No.

22 Q. Do you know whether any members of RESA
23 had discussions with FES during that time?

24 A. I don't know.

Page 12

1 Q. Did there come a time when the OCC was no
2 longer participating in the settlement negotiations?

3 A. Yes, I believe so.

4 Q. And during the time that you were aware
5 that OCC was not participating in the negotiations,
6 did RESA have any discussions with OCC about the
7 settlement of this case?

8 A. I don't think so.

9 Q. Are you aware of whether any members of
10 RESA had discussions with OCC during that time about
11 settlement?

12 A. I don't know.

13 Q. Were you aware that at some point in time
14 IEU-Ohio was no longer participating in settlement
15 discussions?

16 A. Yes.

17 Q. And during that time that you were aware
18 that IEU-Ohio was not participating, did RESA have
19 discussions with representatives of IEU-Ohio about
20 settlement?

21 A. I don't think so.

22 Q. Are you aware of whether any members of
23 RESA had discussions with IEU during that time?

24 A. I don't know.

3 (Pages 9 to 12)

Page 13

1 Q. Is this the first ESP case that you've
2 testified in?
3 A. No.
4 Q. Have you testified in MRO cases?
5 A. Yes.
6 Q. Did you participate in the Duke MRO case?
7 A. Yes.
8 Q. And by "participate," you provided
9 testimony in that case?
10 A. Yes, I did.
11 Q. Is it part of your job to become familiar
12 with SB 221?
13 A. It is.
14 Q. Do you feel that you are -- you have a
15 good working knowledge of the provisions of SB 221?
16 A. I have a working knowledge of what's in
17 there, but I'm not an attorney so I don't interpret
18 it.
19 Q. Okay. Well, from time to time do you
20 form an opinion on your own as to what SB
21 221 requires?
22 A. Yes.
23 Q. Are you familiar with the provisions of
24 SB 221 regarding how to price an MRO which blends a

Page 14

1 competitive bidding process-derived price with a
2 legacy ESP price?
3 A. First of all, note that I don't actually
4 have the language in front of me so I'm doing this
5 off the top of my head, but I do recall the section
6 in general, yes.
7 Q. And so that you know in certain
8 circumstances when an MRO price may be determined,
9 the statute calls for some type of blending or
10 weighting of a legacy ESP price as may be adjusted
11 with a competitively bid process price, correct?
12 A. Yes, I'm familiar with that.
13 Q. You're aware that the blending that we
14 have just been talking about is required for an MRO
15 that would be for an electric distribution utility
16 for generation that was used and useful as of
17 July 31, 2008?
18 A. Yes.
19 Q. And you're also aware that the blending
20 statute would apply to an EDU where the MRO was the
21 first MRO filed by the EDU, correct?
22 A. I'm sorry, ask the question again?
23 Q. Sure. You're aware that the blending
24 that we've been talking about would apply to an EDU

Page 15

1 and the MRO for the EDU where it was the first MRO
2 filed by the EDU?
3 A. It would apply to the first MRO? I think
4 it said -- again, I don't have the language, but I
5 think it was the first approved, but yes, the first
6 one.
7 Q. So if AEP Ohio, the two companies that
8 make up AEP Ohio, were to have an MRO in this case as
9 opposed to an ESP, would be fair to say it's your
10 understanding that the blending statute would apply
11 to that MRO?
12 MR. HOWARD: Objection, calls for legal
13 conclusion.
14 But you may answer, if you know, Teresa.
15 A. It's my understanding that the blending
16 applies to an EDU that hasn't divested their
17 generation. It's my words. If they file an MRO
18 that's approved, they have a period of time that you
19 have to blend in or phase in the market pricing.
20 Q. So, again, as you understand the
21 requirements of the blending statute, again, not as a
22 lawyer but someone who has a working knowledge of SB
23 221 and works in this area, you would understand that
24 if AEP were to have an MRO starting next year, for

Page 16

1 example, that MRO would be subject to the blending
2 statute?
3 A. Yes.
4 Q. And by AEP in that question, I meant AEP
5 Ohio. Is that how you took my question?
6 A. I took it as AEP, the two utilities.
7 Q. Okay. Now, it's been your view, has it
8 not, that AEP Ohio has been attempting to discourage
9 shopping in its territories?
10 A. Yes.
11 Q. And you've noted, have you not, certain
12 comments that were made by the chairman of the Board
13 and CEO of AEP, correct?
14 A. Correct.
15 Q. To the effect that the chairman of the
16 Board and the CEO of AEP did not like to see that
17 customers were switching.
18 A. Yes.
19 Q. And would it be safe to say that you
20 viewed Mr. Morris's comments as a statement of AEP
21 policy?
22 A. I did, yes.
23 Q. You also noted that Mr. Morris stated
24 that the rate designs that were filed with the

4 (Pages 13 to 16)

Page 17

1 application for the ESP in this case would cause a
2 real drop-off in the number of customers shopping,
3 correct?
4 A. Yes.
5 Q. And you took that statement as a
6 statement of corporate policy or expectations on
7 behalf of AEP, correct?
8 A. Correct.
9 Q. You also, in your direct testimony,
10 identified the POLR charge as a problem that you had
11 with the application by AEP Ohio for an ESP, correct?
12 A. Correct.
13 Q. Now, it's safe to say that there is no
14 longer going to be a POLR charge if the Stipulation
15 is approved, at least during the term of the ESP.
16 A. Yes. The POLR Rider, that POLR charge,
17 goes away under this Stipulation.
18 Q. So one of the changes from the
19 application to the Stipulation was the elimination of
20 the POLR Rider, correct?
21 A. That's correct.
22 Q. Now, the base generation charge from the
23 charge that was in the application to the
24 Stipulation, that charge is increased, correct?

Page 18

1 A. The base generation, yes.
2 Q. Now, did you do any comparison with
3 respect to the level of revenues that would be
4 "saved," by the elimination of the POLR Rider versus
5 the additional revenues that were gained by the
6 change or increase in the base generation from the
7 initially applied suggestion to what's in the
8 Stipulation?
9 A. No.
10 Q. Would it concern you if the increase in
11 the base generation charge revenues was greater than
12 the revenues that would have been generated by the
13 POLR charge?
14 A. Would it concern RESA?
15 Q. Well, first I'm asking you. Would it
16 concern you?
17 A. Well, speaking on behalf of the Retail
18 Energy Supply Association, our concern with the POLR
19 charge was that it was generation that wasn't
20 avoidable and that it was being used in a way to
21 stymie shopping, so that was our concern with that.
22 Our concern was not the actual revenue.
23 Q. So it would not concern you?
24 A. No.

Page 19

1 Q. What I said was correct, it would not
2 concern you?
3 A. That's correct.
4 Q. Is it correct to say that you previously
5 recommended that the price for capacity that CRES
6 providers would pay AEP Ohio should be the rest of
7 the RTO RPM price?
8 A. The RPM price, yes.
9 Q. Do you believe that AEP Ohio is entitled
10 to charge CRES providers for capacity in the range of
11 347 to 355 dollars per megawatt-day?
12 A. Well, no. I mean, we agreed in the
13 Stipulation to 255, unless they're eligible for RPM,
14 for a limited period of time and then it becomes all
15 RPM, so no, I don't agree to the 347 to 355.
16 Q. I'm not asking you what the Stipulation
17 calls for. What I'm asking you for is do you believe
18 that absent the Stipulation, AEP Ohio would be
19 entitled to charge CRES providers for capacity a
20 price in the range of 347 to 355 dollars per
21 megawatt-day?
22 A. No. Wait. Ask the question again. I
23 want to make sure I'm answering right. No, I don't
24 agree that they should charge that.

Page 20

1 Q. And would it be fair to say that, again,
2 apart from the Stipulation, you don't believe that
3 they would be entitled to that amount, correct?
4 A. That's correct.
5 Q. Have you reviewed the testimony of the
6 witnesses for AEP that have filed testimony in
7 support of the Stipulation?
8 A. I have reviewed Hamrock and Roush.
9 Q. Okay. Did you review the testimony of
10 Mr. Allen?
11 A. I reviewed a portion of it dealing with
12 the 355.
13 Q. Okay. And when you say you reviewed a
14 portion of it dealing with the 355, is that the
15 quote, "benefit," end quote, that he identified?
16 A. Yes.
17 Q. And not charging that 355?
18 A. Yes.
19 Q. You previously testified that you don't
20 believe that AEP Ohio was entitled to the 355,
21 correct?
22 A. I don't believe that they should charge
23 CRES providers the 355.
24 Q. So, again, they were not entitled to

5 (Pages 17 to 20)

Page 21

1 charge 355 to CRES providers for capacity, correct?

2 A. To CRES providers, correct.

3 Q. And so would it be fair to say that you
4 wouldn't agree that one could calculate a benefit
5 based upon the fact that they were entitled to a
6 capacity price of 355?

7 A. Well, ~~our position~~ when it comes to the
8 355 is not that I've done an analysis of whether or
9 not they are the accurate costs based on FERC Form 1,
10 but basically from a CRES provider's perspective, we
11 are not subject to the FRR rate. We are subject to
12 RPM. If we are looking at it from a total ESP to MRO
13 benefit analysis, I can't really answer that question
14 because I haven't done that analysis.

15 Q. Ms. Ringenbach, I'm not sure you answered
16 my question, so let me try again. Are you aware that
17 AEP witnesses have identified one of the benefits and
18 quantified such a benefit as being the difference
19 between charging 355 and charging what is set out in
20 the Stipulation?

21 A. Yes.

22 Q. And would you agree with me, just as a
23 matter of logic, for that to be a benefit, AEP would
24 have been entitled in the first place to charge 355,

Page 22

1 right?

2 A. Yes.

3 Q. And so since you don't believe AEP was
4 entitled to charge CRES providers 355, the way they
5 calculated the benefit based upon the alleged
6 discount you would not agree with, correct?

7 MR. HOWARD: I'm going to object on the
8 basis of it calls for -- sort of calls for a legal
9 interpretation.

10 But if you know, you may answer the
11 question.

12 A. I guess I'm answering the question. I
13 mean, the way I interpret the question is to assume
14 that the 355 is the accurate rate. There's a
15 difference between, in my mind, their ability to
16 charge us something other than RPM and analyzing
17 whether or not the FRR rate is actually 355.

18 But assuming that this FRR rate after
19 someone did the analysis on FERC Form 1 was not 355,
20 then you're right, it would not be an accurate
21 benefit analysis.

22 Q. So, again, you would not agree with that
23 analysis?

24 A. Yes.

Page 23

1 Q. Now, one of the problems that you had
2 with AEP's proposal to charge 355 was that it would
3 cause significant price shock, correct?

4 A. To shopping customers, yes.

5 Q. You also have provided in your direct
6 testimony an analysis of the price shock that would
7 ~~be felt by~~ schools, or certain schools, correct?

8 A. For schools who are already with a CRES
9 provider, yes.

10 Q. For example -- and that's laid out in
11 your direct testimony at TLR Attachment 3, correct?

12 A. Yep.

13 Q. Sorry?

14 A. Yes.

15 Q. And one of the things you note there is
16 that the price as a result of capacity -- let me
17 start over.

18 One of things you note there is that
19 price increase seen by schools as a result of
20 capacity increases only, that would be price increase
21 only, would be in the neighborhood of 2.6 cents per
22 kilowatt-hour, correct?

23 A. Within the testimony or within -- oh,
24 yes, on page 11, yes. For a school who was with a

Page 24

1 CRES provider, it would be an increase of 2.6 cents
2 per kilowatt-hour.

3 Q. Right. And going back to the TLR
4 Attachment 3 in your direct testimony, you show the
5 difference in capacity rates for the PJM auction for
6 the RPM price and the capacity rates as AEP proposed
7 initially, correct?

8 A. Correct.

9 Q. And one of the things that you also show
10 is the difference in total capacity costs per year,
11 correct?

12 A. Correct.

13 Q. And the total difference in capacity
14 costs per year, as you calculated, would be about
15 \$90,000?

16 A. Yeah; a little bit more than that, but
17 yes.

18 Q. And you would view that \$90,000 in that
19 more than two-and-a-half cent per kilowatt-hour as a
20 significant price shock, correct?

21 A. Correct.

22 Q. Now, if a customer would receive
23 increases in the capacity costs of one-and-a-half to
24 two-and-a-half times, would that be in your view

6 (Pages 21 to 24)

<p style="text-align: right;">Page 25</p> <p>1 significant price shock?</p> <p>2 A. Yes.</p> <p>3 Q. Would you agree that increases in</p> <p>4 capacity costs charged to CRES providers, would take</p> <p>5 savings away and would deter CRES providers from</p> <p>6 offering service?</p> <p>7 A. Increased capacity costs would take</p> <p>8 savings away. I can't say if it would deter</p> <p>9 providing service because there's the energy side,</p> <p>10 which could potentially have savings for the</p> <p>11 customer.</p> <p>12 Q. Well, didn't you agree that the increase</p> <p>13 in capacity costs as proposed initially by AEP would</p> <p>14 take savings away and would deter CRES providers from</p> <p>15 offering service?</p> <p>16 A. It would take savings away from customers</p> <p>17 who had already entered and that were switched to</p> <p>18 CRES providers.</p> <p>19 Q. All right. Let me refer you to your</p> <p>20 direct testimony, page 11.</p> <p>21 A. Uh-huh.</p> <p>22 Q. And starting towards the top, you're</p> <p>23 discussing the effect on schools that's also shown</p> <p>24 the TLR Attachment 3, correct?</p>	<p style="text-align: right;">Page 27</p> <p>1 Did I read that correctly?</p> <p>2 A. Yes.</p> <p>3 Q. What assurances were given?</p> <p>4 A. In the testimony they had talked about</p> <p>5 RPM being used for CRES providers going forward, and</p> <p>6 then upon filing this had instead reverted to FRR for</p> <p>7 everyone, including CRES providers. So BESA members,</p> <p>8 including Direct Energy, had been relying on an</p> <p>9 expectation based on the ESP that RPM is what would</p> <p>10 be billed to CRES providers.</p> <p>11 MR. KUTIK: Would you read the answer,</p> <p>12 please.</p> <p>13 (Record read.)</p> <p>14 Q. So it's your understanding that in the</p> <p>15 testimony filed by the AEP Ohio companies, or on</p> <p>16 behalf of those companies, in their first ESP case or</p> <p>17 cases, that their representatives provided some</p> <p>18 assurances about the fact that AEP Ohio intended to</p> <p>19 use RPM prices on a going-forward basis?</p> <p>20 A. Yes. That was our understanding.</p> <p>21 Q. And were there any such assurances</p> <p>22 provided to anyone, other than in the testimony?</p> <p>23 A. No, not that I know of.</p> <p>24 Q. In other words, was there any agreement</p>
<p style="text-align: right;">Page 26</p> <p>1 A. Correct.</p> <p>2 Q. This includes the significant price shock</p> <p>3 that you mentioned earlier, correct?</p> <p>4 A. Correct.</p> <p>5 Q. And you conclude, do you not, starting on</p> <p>6 line 7, "The increased capacity cost would have taken</p> <p>7 the savings away from shoppers and deterred CRES from</p> <p>8 offering service in the AEP Ohio territories." You</p> <p>9 said that, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And that was true with respect to the</p> <p>12 proposal that AEP initially had in this case?</p> <p>13 A. Yes.</p> <p>14 Q. Let me have you again refer to your</p> <p>15 testimony and flip to page 10 of that direct</p> <p>16 testimony. I want to refer you to the sentence</p> <p>17 beginning at line 8, and let me read it. "Even</p> <p>18 though the RPM auctions resulted in capacity prices</p> <p>19 of \$174 per MW-day for the period through May 2011</p> <p>20 and \$110 per MW-day for the period from June 2011</p> <p>21 through May 2012, AEP Ohio sought to increase the</p> <p>22 CRES capacity charge 2-3 times those amounts to \$347</p> <p>23 per MW-day, despite assurances in its ESP 1 testimony</p> <p>24 that the RPM prices would be used."</p>	<p style="text-align: right;">Page 28</p> <p>1 that was made?</p> <p>2 A. No.</p> <p>3 Q. Now, your view is that in light of such</p> <p>4 assurances that had been made in the ESP 1 case, CRES</p> <p>5 providers in Ohio, and particularly in AEP's Ohio</p> <p>6 service territory had a right to rely on those</p> <p>7 assurances, correct?</p> <p>8 A. Yes.</p> <p>9 Q. And AEP Ohio's filings to establish</p> <p>10 prices based upon the FRR were inconsistent with the</p> <p>11 prior assurances that CRES providers had relied upon?</p> <p>12 A. Correct.</p> <p>13 Q. Would it be fair to say that CRES</p> <p>14 providers don't have the option to self-supply until</p> <p>15 the delivery year beginning June 2015?</p> <p>16 A. I'm going to say yes, but I want to</p> <p>17 clarify that because my company did not self-supply.</p> <p>18 I'm not sure of all the rules on when you have to</p> <p>19 give notice to self-supply.</p> <p>20 Q. But based upon your understanding, it's</p> <p>21 your understanding that if your company or other CRES</p> <p>22 providers wanted to self-supply capacity to serve</p> <p>23 customers in the AEP Ohio service territory, then</p> <p>24 that self-supply would not take effect until</p>

Page 29

1 June 2015.

2 A. Yes, that's my understanding.

3 Q. And until that time they're stuck with
4 whatever price AEP Ohio charges CRES for capacity,
5 correct?

6 A. Yes.

7 Q. Did you ever do any study on the effect ~~of~~
8 of capacity on shopping?

9 A. Other than -- I guess is the question on
10 currently switched customers, or are you asking for
11 customers who have not already switched and may
12 switch, what the effect would be on offers to them?

13 Q. Any effect.

14 A. I will answer it two ways. Yes, on
15 customers who have already switched, right, which is
16 what that Exhibit 3 is in my testimony, what's the
17 effect on customers who are already under contract
18 and with a supplier.

19 And no on a formal analysis for the
20 effects on customers who have not already made a
21 decision to switch and the amount or types of offers
22 that they might get.

23 Q. So you have done no study on, for
24 example, the likelihood of CRES providers being able

Page 30

1 to offer competitive rates if they have to pay
2 capacity at a rate of 255?

3 A. No, I've done no formal studies on that.

4 Q. You said you have done no formal studies
5 on that. Have you done any study on that?

6 A. I mean, I have my own interpretation of
7 the fact that if you can make -- if you can offer a
8 customer who, assuming they don't get in under the
9 RPM caps right and are paying the 255 capacity rate,
10 and if you can save them on the energy, then a CRES
11 is going to remain in the market and make offers.
12 But any actual formal analysis or anything like that,
13 no, I have not done.

14 Q. So, for example, you're unaware that your
15 own company, Direct Energy, has determined that it
16 could profitably offer CRES service if it had to pay
17 for capacity at a rate of 255 in AEP Ohio?

18 A. I don't know. They analyze each customer
19 as they're brought in by the salesperson, so it could
20 change depending on points in time in the market.

21 Q. But sitting here today, you're not aware
22 of any analysis, correct?

23 A. I don't know of any analysis, no.

24 Q. Now, you said in your Stipulation

Page 31

1 testimony that there is no hard and fast cap on
2 shopping itself as a result of the RPM set-asides.

3 A. Yes.

4 Q. And is that statement based on your view
5 that it may be possible through savings on the energy
6 rate for a CRES provider to offer -- to make offers
7 to customers in the AEP Ohio territory?

8 A. Well, it's based on that, but there's
9 many different reasons why a customer might switch to
10 a supplier. They can switch just because they
11 absolutely hate AEP. They could switch because
12 they're a national account and, you know, they get a
13 better rate across multiple states or multiple
14 territories other than just AEP so their overall
15 savings is still there. That was the point. It was
16 not just specific to capacity that customers switch.

17 Q. But you're aware of no analysis that --
18 or are you aware of any analysis that Direct Energy
19 has done to determine whether it would be able to
20 serve customers if it had to pay a price for capacity
21 of 355?

22 A. Not any generic overall analysis. As I
23 said, customers are brought in by salespeople. They
24 would evaluate individual customers.

Page 32

1 Q. And you're not aware of any individual
2 customer evaluation at that price yet, correct?

3 A. I'm not aware of it. I'm sure our
4 salespeople are bringing in their customers, though.
5 I'm just not involved in that part of the business.

6 Q. Do you believe that the 255 will limit
7 shopping?

8 A. Yes, it could. Yeah.

9 Q. So the 255 capacity price could somewhat
10 limit or strain shopping.

11 A. Yes.

12 Q. Because an increased capacity price would
13 have the effect of reducing the amount of so-called
14 head room that a CRES provider might be looking at in
15 attempting to make a profitable offer to a customer?

16 A. Yes.

17 Q. Let's move to a slightly different
18 subject. You made another criticism in your direct
19 testimony that AEP Ohio proposed to radically change
20 its long-time generation allocation model, no formula
21 or algorithm.

22 A. Is that a question? Yes.

23 Q. Would it be fair to say that the
24 generation allocation model that would apply if the

8 (Pages 29 to 32)

Page 33

1 Stipulation is granted or approved would also have no
2 formula or algorithm?
3 A. That's true.
4 Q. Certainly, but not also, that is, that
5 allocation model would not be based on cost as far as
6 you know?
7 ~~As far as I know, yes.~~
8 Q. Now, in your direct testimony you also
9 criticize AEP because AEP did not reveal how it
10 achieved, quote, market-like rates, end quote, with
11 respect to generation charges for different customer
12 classes, correct?
13 A. Correct.
14 Q. And the increases for the generation
15 rates were not shared equally among customer classes.
16 A. That's correct.
17 Q. And you view that as a problem, correct?
18 A. Yes.
19 Q. Would it be fair to say that the
20 increases as a result of the Stipulation would not be
21 shared equally among customer classes?
22 A. Yes.
23 Q. Would it be fair to say that AEP did
24 not reveal or has not revealed how it allocated any

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1 generation rate increases among customer classes?
2 A. Yes.
3 Q. Let me refer you to your direct
4 testimony, and this time to TLR Attachment 4. Are
5 you there?
6 A. Yes, I'm here. I have it.
7 Q. This shows a Comparison of Certain
8 Shopping Rates with Proposed Rate Decreases, correct?
9 A. Yes.
10 Q. Did you update this to show what the
11 change in rates would be based upon the Stipulation?
12 A. Have I updated it? No.
13 Q. Still referring to your direct testimony,
14 let me refer you to page 16.
15 A. Okay.
16 Q. The sentence that starts on line 8 which
17 reads as follows, "I do not believe that Senate Bill
18 221 allows an electric utility to raise its rates
19 without regard to cost to one class of customers for
20 the express purpose of reducing costs to another
21 class of customers simply because those customers
22 will buy generation for less in the open market."
23 Did I read that correctly?
24 A. Yes.

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1 Q. Do you still feel that way?
2 A. I do.
3 Q. What is the basis for your statement
4 there?
5 A. I believe that if you're going to have an
6 ESP rate, then it's basically supposed to be a
7 regulated rate, which is ~~traditional cost of service;~~
8 or what has been done in Ohio is incorporating sort
9 of the competitive bids under an ESP, which gets you
10 to the market pricing, but not this sort of
11 in-between where the utility simple gets to move gen
12 rates based on their ability to control shopping.
13 Q. When you were making this statement with
14 respect to certain customer classes being able to buy
15 generation for less in the open market, were you
16 referring to a specific customer class?
17 A. This specific statement was no. This is
18 generically in terms of all classes of customers, if
19 you can get it lower in the market, you should be
20 able to go.
21 Q. Do you believe that AEP's initial
22 proposal was targeting one class or several classes
23 of customers that could buy generation for less in
24 the open market?

Page 36

1 A. Yes.
2 Q. And what customer class or classes was
3 AEP Ohio targeting?
4 A. I believe they were targeting the
5 commercial class, so GS-1, GS-2, and some of the
6 GS-3s also fall into that class.
7 Q. Do you view those customers as customers
8 that could buy generation for less in the open
9 market?
10 A. Yes.
11 Q. Are the GS-1, GS-2 and GS-3 classes the
12 only classes that you think AEP was initially
13 targeting?
14 A. Yes.
15 Q. Now, there's a Rider MTR as part of the
16 Stipulation, correct?
17 A. Yes.
18 Q. And that rider was also included in the
19 initial application by AEP, correct?
20 A. Yes.
21 Q. Would it be fair to say that you believed
22 that Rider MTR had the effect to distort price
23 signals being sent to the retail customer for the
24 generation they purchase?

9 (Pages 33 to 36)

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1 A. Yes.
 2 Q. Is that still true?
 3 A. Yes.
 4 Q. You also indicate in your direct
 5 testimony that the flaw with respect to the Rider MTR
 6 was that it was nonbypassable.
 7 A. Yes.
 8 Q. Under the Stipulation it's still true
 9 that Rider MTR is not bypassable, correct?
 10 A. Other than for schools, yes.
 11 Q. Let me refer you to page 17 of your
 12 testimony.
 13 A. The direct testimony? All right.
 14 Q. Directing to line 17 and the sentence
 15 that begins there, it reads, "There is no reason why
 16 a customer that is shopping and buying their full
 17 generation requirement in the open market should be
 18 paying a generation transition fee to customers who
 19 are buying generation from AEP Ohio at rates that AEP
 20 Ohio fear are too high."
 21 Did I read that correctly?
 22 A. Yes.
 23 Q. Do you still believe that?
 24 A. Yes.

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1 Q. You believed that the initially proposed
 2 ESP in this case had a number of barriers to
 3 shopping, correct?
 4 A. Yes.
 5 Q. One of those barriers was a 12-month stay
 6 requirement, correct?
 7 A. Yes.
 8 Q. Has the 12-month stay requirement been
 9 eliminated entirely?
 10 A. It will be eliminated entirely in 2015.
 11 Q. Until that time that minimum stay
 12 requirement is and will be in effect?
 13 A. Yes.
 14 Q. Let me have you refer to your direct
 15 testimony on page 25.
 16 A. Okay.
 17 Q. And starting at line 13, you indicate
 18 that there's certain data that should be made
 19 available to CRES providers at no cost, correct?
 20 A. Yes.
 21 Q. One of the data that you -- one of the
 22 pieces of information that you believe that AEP
 23 should provide CRES providers is EDI transaction
 24 information 867 containing monthly usage and interval

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1 usage data.
 2 A. Correct. 867, but yes.
 3 Q. Under the Stipulation is AEP Ohio
 4 required to provide that information?
 5 A. Under the Stipulation they're including
 6 the -- well, no, not that specific EDI transaction.
 7 No.
 8 Q. EDI stands for what?
 9 A. Electronic data interchange.
 10 Q. 867 means what?
 11 A. 867, EDI uses different codes for
 12 different things, and 867 is -- basically, the
 13 customer load information you get is an 867
 14 transaction.
 15 Q. Another piece of information that you
 16 believe that AEP Ohio should make available to CRES
 17 providers at no cost is Customer Peak Load
 18 Contribution, correct?
 19 A. Yes.
 20 Q. Does the Stipulation require AEP Ohio to
 21 provide that information?
 22 A. Yes, it does.
 23 Q. Another piece of information that you
 24 believe AEP Ohio should provide CRES providers at no

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1 cost is meter read cycle information?
 2 A. Yes.
 3 Q. Does the Stipulation require AEP Ohio to
 4 provide that?
 5 A. The Stipulation doesn't, but separate --
 6 you know, after this came in, there were some
 7 separate things that came from AEP to all suppliers
 8 or the supplier services group. One of those was
 9 that they were changing that to include meter read
 10 cycle information.
 11 Q. So the Stipulation doesn't require it at
 12 this time, correct?
 13 A. The Stipulation doesn't, right. Correct.
 14 Q. Another piece of information that you
 15 believe that AEP Ohio should provide CRES providers
 16 at no cost is quarterly updated sync-list, correct?
 17 A. Correct.
 18 Q. Does the Stipulation require AEP Ohio to
 19 provide that information?
 20 A. The Stipulation does not, but you can
 21 manually request a sync-list from AEP.
 22 Q. The Stipulation doesn't require a
 23 quarterly updated sync-list, correct?
 24 A. Correct.

10 (Pages 37 to 40)

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1 Q. Is the \$10 switching fee being eliminated
2 under the Stipulation?
3 A. No.
4 Q. Does the Stipulation require the
5 implementation of a purchase of receivables program
6 similar to Duke's or Ohio gas utilities?
7 A. No.
8 Q. You're aware, are you not, that there is
9 a pool termination and modification rider being
10 proposed, correct?
11 A. There's a pool -- yes.
12 Q. And that is also part of the Stipulation,
13 correct?
14 A. Yes.
15 Q. And if the costs with respect to the pool
16 termination or modification are in excess of
17 \$50 million, then AEP, under the Stipulation, has a
18 right to seek recovery of those costs, correct?
19 A. For the pool termination, yes.
20 Q. So that, for example, if it's \$50 million
21 plus a dollar, they would be able to recover or seek
22 recovery of all, that entire amount, not just the
23 dollar over 50 million, correct?
24 A. You know, it's not necessarily written

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1 that way, but I guess it could be interpreted that
2 way and may need clarification from the Commission.
3 Q. What would be RESA's position on that?
4 A. That whatever is over \$50 million.
5 Q. Is it your understanding that the pool
6 termination/modification rider is nonbypassable?
7 A. Yes.
8 Q. Would the costs that would be sought to
9 be recovered under the pool termination/modification
10 rider be accurately described as generation-related?
11 A. Yes.
12 Q. The Stipulation also calls for the
13 establishment of a rider called GRR, correct?
14 A. Yes.
15 Q. And as contemplated under the
16 Stipulation, Rider GRR would be nonbypassable?
17 A. Yes.
18 Q. And the costs that would be sought to be
19 recovered under GRR would be properly characterized
20 as generation-related?
21 A. Yes.
22 Q. Are you aware of whether AEP Ohio is what
23 might be called long on capacity?
24 A. I knew that they were long two years ago,

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1 but I haven't done any recent studies or obtained any
2 recent information that they are still long. I would
3 assume that they would still be long since the market
4 hasn't exactly picked up.
5 Q. So it's your impression that AEP Ohio is
6 currently long on capacity?
7 A. Yes.
8 Q. That would be your expectation for the
9 foreseeable future, that AEP would be long on
10 capacity?
11 A. Looking into my economic crystal ball,
12 yes.
13 Q. Do you believe that the State of Ohio is
14 a net importer or exporter of power?
15 A. I don't believe that the State of Ohio is
16 either. I don't believe you can import or export
17 power because everything goes to PJM, which acts as
18 the clearinghouse, so that the assumption that you
19 are an importer because you're bringing power out of
20 PJM, just because it all gets mixed up at PJM, you
21 can really call yourself an importer or exporter.
22 It's just the nature of the business.
23 There's RTOs, and the whole nature of RTO
24 is all the power gets mixed up and you don't

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1 necessarily know that your exact electrons. You
2 might know where your contract is, but your exact
3 electrons are not importing or exporting. You don't
4 know where they're exactly coming from. I take issue
5 with the terms importer or exporter of power and
6 energy.
7 Q. So you reject the notion that Ohio could
8 be looked at as an importer or exporter of power or
9 electricity because it's PJM that's responsible for
10 reviewing the reliability needs of the utilities that
11 belong to PJM, and that may involve facilities and
12 resources outside the State of Ohio, correct?
13 A. Yes. I reject the idea that we're an
14 importer or exporter.
15 Q. Because PJM is the entity that's dealing
16 with reliability on a multistate basis.
17 A. Yes.
18 Q. You're aware, are you not, that the
19 Stipulation provides that AEP will have the right to
20 seek recovery under Rider GRR of the costs of two
21 plants, Turning Point and MR6, correct?
22 A. Yes.
23 Q. Are you aware of any evidence that either
24 the Turning Point plant or MR6 are necessary to meet

11 (Pages 41 to 44)

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<p>1 the resource planning needs of AEP Ohio?</p> <p>2 A. Are they -- I'm sorry. Is the question</p> <p>3 whether or not I know that they are necessary for AEP</p> <p>4 to meet their plans?</p> <p>5 MR. KUTIK: Could you read the question,</p> <p>6 Rosemary.</p> <p>7 (Record read.)</p> <p>8 A. No. I'm not aware of any evidence.</p> <p>9 Q. Are you aware of any evidence that the</p> <p>10 Turning Point plant has been or will be competitively</p> <p>11 bid?</p> <p>12 A. No, I'm not aware of any evidence.</p> <p>13 Q. Are you aware of any information?</p> <p>14 A. The only information I have is going back</p> <p>15 to Senate Bill 221, which is if you receive a</p> <p>16 GRR-type of nonbypassable rider for generation, you</p> <p>17 have to competitively bid out that generation.</p> <p>18 Q. My question is, with respect to the</p> <p>19 Turning Point facility itself or that project, do you</p> <p>20 know whether it has been or will be competitively bid</p> <p>21 at this point?</p> <p>22 A. I do not know.</p> <p>23 Q. Do you know whether the MR6 will be</p> <p>24 competitively bid?</p>	<p>1 Ohio, will not see that benefit until June of 2015?</p> <p>2 A. Yes.</p> <p>3 Q. Let me now have you refer to your</p> <p>4 Stipulation testimony.</p> <p>5 A. Okay.</p> <p>6 Q. And specifically I want to refer you to</p> <p>7 page 6.</p> <p>8 A. Okay.</p> <p>9 Q. And the sentence that begins on line 8</p> <p>10 reads, "While RESA would prefer to see the CBP</p> <p>11 implemented immediately, RESA understands that there</p> <p>12 are unique factors associated with AEP's structure</p> <p>13 which inhibit a more immediate move to the CBP."</p> <p>14 Did I read that correctly?</p> <p>15 A. Yes.</p> <p>16 Q. What are the unique factors associated</p> <p>17 with AEP's structure that you're referring to there?</p> <p>18 A. One was or is the FRR. Another is the</p> <p>19 utility ownership of generation, which would</p> <p>20 basically trigger that blending or phase in of the</p> <p>21 MRO provisions. Those are the two big ones.</p> <p>22 And then the last piece was just simply</p> <p>23 AEP combining the two utilities into a single utility</p> <p>24 would require some system changes and things that</p>
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<p>1 A. I do not know.</p> <p>2 Q. Are you aware that there is a unit</p> <p>3 currently operated by one of the AEP Ohio companies</p> <p>4 called MR5 or Muskingum River 5?</p> <p>5 A. Yes.</p> <p>6 Q. Are you aware that there has been some</p> <p>7 discussion about the potential closure of that unit?</p> <p>8 A. Yes.</p> <p>9 Q. Given your understanding of the purpose</p> <p>10 of Rider GRR under the Stipulation, do you think it</p> <p>11 would be appropriate for AEP Ohio to seek recovery of</p> <p>12 costs relating to the closure of the MR5 unit as part</p> <p>13 of the costs of building and starting up and</p> <p>14 operating MR6?</p> <p>15 A. No.</p> <p>16 Q. That would be inappropriate?</p> <p>17 A. To include the closing to build -- in</p> <p>18 order to build a new -- no, that would be</p> <p>19 inappropriate.</p> <p>20 Q. Would it be correct to say that with</p> <p>21 respect to the benefits that customers -- that</p> <p>22 nonshopping customers may receive from having SSO</p> <p>23 load procured on a competitively bid basis, that</p> <p>24 customers in Ohio, the nonshopping customers in AEP</p>	<p>1 would most likely create two separate wholesale bids</p> <p>2 that would have to go through two separate tariffs.</p> <p>3 So by waiting, all of those things would be taken</p> <p>4 care of and it would be an easier transition to the</p> <p>5 market.</p> <p>6 Q. With respect to the last thing you said,</p> <p>7 certainly the fact that there would be two wholesale</p> <p>8 bids or two sets of wholesale bids wouldn't preclude</p> <p>9 those processes from going forward; it would just</p> <p>10 make them a little more difficult, correct?</p> <p>11 A. That's correct.</p> <p>12 Q. With respect to utility ownership of</p> <p>13 generation. I believe you said that that would</p> <p>14 somehow invoke the blending provisions of SB 221.</p> <p>15 Did I understand your testimony correctly?</p> <p>16 A. If we were going to an MRO type of</p> <p>17 structure, yes.</p> <p>18 Q. Well, you're aware that there are ESPs in</p> <p>19 Ohio that use a competitive bidding process, correct?</p> <p>20 A. I am.</p> <p>21 Q. The FirstEnergy Ohio utilities has such a</p> <p>22 process, correct?</p> <p>23 A. Yes.</p> <p>24 Q. And in such a process, that's not an MRO</p>

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1 and, therefore, the MRO blending provisions don't
2 apply, correct?

3 A. That's correct.

4 Q. So if a competitive bidding process were
5 to be required or implemented as part of this ESP, no
6 blending would be necessary or required under SB 221,
7 as you understand that statute.

8 A. Well, my opinion, FirstEnergy, the
9 utility, does not own that generation, so it's sort
10 of a different situation.

11 Q. I guess that's what I'm trying to
12 understand, do you believe that if an ESP has a
13 competitive bidding process to procure POLR load or
14 SSO load and the utility owns generation, the
15 blending provisions of SB 221 that led to MROs would
16 apply?

17 A. No. Now that I think about it, if it's
18 within the ESP, the blending requirement for an MRO
19 probably would not apply; however, the other portion,
20 of them owning the generation and not divesting it,
21 is that the utility is incented to not ever move to
22 competitive procurement.

23 Q. But the competitive bidding process could
24 be done where a utility owned generation, correct?

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1 A. If the utility agreed to it, yes.

2 Q. Or if the Commission ordered it?

3 A. No, I don't agree with that. I think
4 that the way that SB 221 has been implemented is if
5 you file an ESP as a utility and you go through the
6 case, the Commission can approve, modify and approve,
7 or reject; and if they modify and approve, the
8 utility has the ability to basically walk away and
9 refile and start over again.

10 So I disagree with the statement that the
11 Commission could order them to go to a competitive
12 bid under an ESP. I mean, they could order it, but
13 the utility doesn't have to do it, is probably a more
14 accurate statement.

15 Q. But it is fair to say that your comments
16 about the blending statute being an issue --

17 A. I was wrong on that; you're right. The
18 blending would not apply if they did a competitive
19 bid within the ESP and the utility accepted it.

20 Q. Now, with respect to the fact that AEP
21 Ohio is currently providing capacity under an FRR
22 plan, is it the case that AEP Ohio could allow
23 suppliers, that is, wholesale suppliers, to bid into
24 the competitive bidding process to procure their own

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1 capacity through the RPM process or through other
2 types of transactions?

3 MR. CONWAY: I'm sorry, could I have the
4 question reread, please.

5 MR. KUTIK: Let me rephrase the question.

6 Q. Assume for me that there will be a
7 competitive bidding process to procure POLR load from
8 AEP Ohio nonshopping customers, and assume that that
9 will begin sometime, let's say, 2013. Are you with
10 me so far?

11 A. Yes.

12 Q. Could AEP Ohio allow wholesale suppliers
13 who would be bidding into that competitive bidding
14 process to obtain their own capacity and prices other
15 than the price that AEP Ohio is charging under the
16 FRR plan?

17 A. Yes, they could. They could do a full
18 requirements auction where each supplier would go out
19 and procure energy and capacity on their own, yes.

20 Q. At some point, the Stipulation allows or
21 requires AEP Ohio to notify PJM that AEP Ohio will
22 participate in the RPM auction, correct?

23 A. Yes.

24 Q. And the participation in the RPM auction

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1 by AEP Ohio will begin for the delivery year starting
2 June 2015, correct?

3 A. Yes.

4 Q. And is it your understanding that by that
5 time the generation assets of AEP Ohio, with the
6 potential exception of Turning Point and MR6, would
7 be owned by another entity?

8 A. Yes.

9 Q. Is it your understanding under the
10 statute that for the delivery year beginning
11 June 2015, all of the assets that had been AEP Ohio,
12 talking generation assets that now belong to that
13 other entity would be offered into the RPM auction?

14 A. Under the -- I don't understand the
15 "under the statute" part.

16 Q. Under the Stipulation.

17 A. Oh, okay. I don't believe they committed
18 to all of them being in the RPM auction, only that
19 they would participate in the RPM auction.

20 Q. Okay. So it may well be that not all of
21 the facilities that AEP Ohio transfers to this new
22 generation company, not all of those assets,
23 generation assets, would be offered into the RPM
24 auction?

13 (Pages 49 to 52)

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1 A. I think that's a possibility.
 2 Q. Is it your expectation that all of them
 3 would be?
 4 A. Yes.
 5 Q. And what is that expectation based on?
 6 A. I guess it was just my assumption, yes;
 7 no actual evidence.
 8 MR. KUTIK: Okay. Let's go off the
 9 record for a minute.
 10 (Recess taken.)
 11 Q. Ms. Ringenbach, when did you first
 12 receive a draft of the Appendix C of the Stipulation?
 13 A. I actually don't know the exact date, but
 14 I know that it's based on the cap allotment rules
 15 from Michigan, and I'm pretty sure that RESA is the
 16 one that presented those rules, so that would have
 17 been like the initial first draft, was, Here's the
 18 rules that are used in Michigan.
 19 Q. So you would have had either supplied or
 20 suggested to AEP that they look at those rules?
 21 A. Yes.
 22 Q. But that's my question. My question is
 23 when did you receive the first draft of Appendix C?
 24 A. I don't know. I don't remember.

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1 Q. The Stipulation was signed on
 2 September 7.
 3 A. It would have been before that.
 4 Q. Right. But it was signed on September 7,
 5 correct?
 6 A. Yes.
 7 Q. And that was a Wednesday. Will you
 8 accept that, subject to check?
 9 A. Subject to check, yes.
 10 Q. Okay. Do you recall that the weekend
 11 before the 7th was the Labor Day weekend?
 12 A. Yes, it was.
 13 Q. Did you receive Appendix C after or
 14 during the Labor Day weekend?
 15 A. You know, I don't know. I'm going to say
 16 before because I think we were negotiating it before
 17 everyone agreed to the final settlement.
 18 Q. Were there several drafts of Appendix C?
 19 A. Yeah. I mean, I'm pretty sure there were
 20 a couple different versions that were tweaked.
 21 Q. And by the Labor Day weekend, had there
 22 been more than one version circulated of Appendix C?
 23 A. More than one?
 24 Q. Draft.

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1 A. More than one draft, yes.
 2 Q. Did AEP draft the first draft of Appendix
 3 C?
 4 MR. CONWAY: At this point I'm going to
 5 object to the question. I think that it delves into
 6 the actual discussions among the negotiating parties,
 7 and I think it's covered by the confidentiality cloak
 8 that applies to them and so I would object to it. I
 9 object to the question.
 10 Q. Can you answer question?
 11 MR. CONWAY: I believe RESA objects also.
 12 MR. HOWARD: This is Steve Howard on
 13 behalf of RESA. I also object because it asks for
 14 settlement positions. I instruct the witness not to
 15 answer.
 16 MR. KUTIK: Just so I can save myself
 17 some questions, is it your view, counsel for RESA,
 18 that you will not allow the witness to answer any
 19 questions relating to issues involving settlement
 20 talks up to the time that the Stipulation was signed?
 21 MR. HOWARD: This is Steve Howard. Yes,
 22 that is correct.
 23 MR. KUTIK: All right.
 24 Q. And on this particular question, Ms.

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1 Ringenbach, just to save me some time, if we decide
 2 to bring this before the attorney-examiner, but for
 3 your attorney's instruction, could you answer the
 4 question, "Did AEP draft the first draft" with an
 5 answer other than "I don't know," or "I don't
 6 remember"?
 7 MR. HOWARD: This is Steve Howard. I'm
 8 going to object to that question.
 9 MR. KUTIK: Again, I'm trying to
 10 understand if the ultimate answer is "I don't know"
 11 or "I don't remember," there's nothing for us to
 12 fight about with respect to that question.
 13 MR. HOWARD: Well, I'm still going to
 14 maintain my objection and instruct her not to answer.
 15 Q. Ms. Ringenbach, do you know who drafted
 16 the first draft of Appendix C?
 17 MR. HOWARD: Objection, same basis. I
 18 will instruct Ms. Ringenbach not to answer.
 19 MR. KUTIK: You're going to object and
 20 instruct her not to answer on the question Does she
 21 know who drafted the first draft?
 22 MR. CONWAY: I'll also object,
 23 Mr. Kutik -- Dan Conway again -- because inevitably
 24 the question seeks information about who said what to

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1 whom.

2 MR. KUTIK: No, it doesn't. No, it
3 doesn't. It just asks for the state of her
4 knowledge. I haven't asked -- the only question is
5 does she know, not who did it. It's does she know.
6 I can't imagine how that's privileged or confidential
7 in any way.

8 MR. HOWARD: Mr. Kutik, this is Steve
9 Howard. The answer to the question you posed to me,
10 yes, I'm going to object on the same basis, and I'm
11 going to instruct her not to answer.

12 Q. (By Mr. Kutik) Did RESA discuss among its
13 members Appendix C?

14 A. Yes.

15 Q. Did RESA hold more than one meeting where
16 the participating members of RESA, did they hold more
17 than one meeting to discuss Appendix C?

18 A. Yes.

19 Q. You said earlier that Appendix C, that
20 RESA made the suggestion to AEP Ohio to look at
21 certain cap allotment rules to draft Appendix C,
22 correct?

23 A. Yes.

24 Q. And those rules are from the state of

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1 Michigan?

2 A. Yes.

3 Q. Are you familiar with the statute upon
4 which those rules are based?

5 A. I am.

6 Q. Would it be fair to say that that statute
7 has hard caps on shopping?

8 A. Yes.

9 Q. There is no such statute in Ohio, is
10 there?

11 A. No, there's not.

12 Q. Now, Appendix C establishes certain
13 groups of customers to set a priority for the RPM
14 price set-asides, correct?

15 A. Yes.

16 Q. One group consists of customers shopping
17 as of July of this year, correct?

18 A. Yes.

19 Q. And another group consists of customers
20 that first shopped as of September 7.

21 A. Yes.

22 Q. And can you provide for me the basis
23 to -- I'll back up. Customers who shopped first
24 prior to July of this year have a priority over

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1 customers would shopped first, I'll say, after
2 July 1 and before September 7, correct?

3 A. Yes.

4 Q. I'm sorry?

5 A. Yes.

6 Q. Can you provide for me the basis to

7 prefer customers who shopped as of July 1 over
8 customers would first shopped after July but before
9 September 7?

10 A. It was really trying to take into account
11 customers who have -- the way that the allotment
12 works is based on when your enrollment was sent in,
13 or if you have the 90-day requirement it was trying
14 to -- I mean, essentially it was group 1 and group 2
15 became the same after the settlement was filed.

16 But it was trying to take into account
17 anyone who might have sort of given their notice or
18 entered into a contract before the settlement was
19 filed, so if there was some sort of gold rush as of
20 September 7 once this became filed with the
21 Commission, anyone who was sort of already out there
22 but hadn't really -- AEP hadn't been informed of
23 their intent to switch or they entered into a
24 contract or given the 90-days notice or anything like

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1 that, they would be sort of reserved their RPM
2 rights.

3 Q. So the basis to prefer customers shopping
4 as of July versus customers who were shopping as of
5 September 7 was to prevent a gold rush starting on
6 September 7?

7 A. Yes. Well, it was not to prevent the
8 gold rush. It was if there was a gold rush, to make
9 sure those customers who made decisions prior to
10 settlement had their RPM rates reserved.

11 Q. But customers who would have their RPM
12 rates reserved would be any customer that was
13 shopping as of September 7, correct?

14 A. And that's why I said essentially once
15 this was filed, they really became -- group 1 and
16 group 2 really did become like a single group.

17 Q. I want to go back to my question, which
18 is, can you give me the basis to prefer customers who
19 first started shopping before July 1, 2011 versus
20 customers who didn't start shopping until after
21 July 1 but before September 7?

22 A. The basis was there were customers who
23 had entered into contracts before September 7 that
24 hadn't given notice or sent an enrollment to AEP yet

15 (Pages 57 to 60)

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1 and could have been trumped by someone who, as of
2 reading this on September 7 when it became public,
3 suddenly started a flood of EDI enrollments or
4 affidavits or 90 day notices.

5 Q. Well, again, that's the basis to prefer
6 customers who shop before September 7 than after
7 September 7, correct?

8 A. Since July 1, and the group 1 customers
9 also have the ability to petition AEP -- because they
10 had been continually switching, they have the ability
11 to sort of go above the cap if they asked AEP, where
12 group 2, 3 and 4 and 5, if they increase their load,
13 cannot go beyond the RPM cap.

14 Q. Ms. Ringenbach, you're really not
15 answering my question, so let me try the question
16 again. Can you tell me the basis to prefer customers
17 who start shopping as of July 1 over customers who
18 started shopping after July 1 but before September 7?
19 Is there any basis to distinguish those two?

20 MR. HOWARD: I'm going to ask the
21 question be reread one more time.

22 THE WITNESS: I think I've answered it.
23 I guess I'm not answering the way he wants.

24 MR. KUTIK: Let's read it.

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1 (Record read.)

2 A. I guess the answer is I think I've given
3 the answer on why we did it, but if that's -- is
4 there an analysis or was there a number of customers
5 or amount of load or whatever that was looked at for
6 the interim period? No.

7 Q. Again, you haven't answered what you
8 you've told me, is there -- were there reasons to
9 prefer customers who were shopping as of the time the
10 Stipulation has been signed, right?

11 A. There were customers who were shopping up
12 to the point where we started discussing an RPM cap,
13 and then there were customers -- there was an interim
14 period of time, right, which is group 2, right? And
15 then there's those customers after this -- the RPM
16 cap load became known, right? So the whole point was
17 to make sure those customers would have made the
18 decision up to July 1 when we started discussing RPM
19 caps, and those customers who may not have known
20 about this in the interim and might have switched but
21 could have trumped after the settlement. That was
22 the point of the distinction also between the two
23 classes.

24 Q. So you believe that customers may have

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1 learned about the possibility of these set-asides and
2 would have started shopping as a result?

3 A. No. I believe there were customers who
4 might have been making decisions to switch to
5 suppliers and entering into contracts before this
6 became public who might not have known there could be
7 a cap coming their way, which would have been group
8 2.

9 Q. Why would those customers who wouldn't
10 know anything about the possibility of set-asides
11 after July 1 be treated differently than customers
12 who had already been shopping as of July 1?

13 A. The point was to protect them. They had
14 made a decision not knowing that there could be this
15 cap that could have kept them out.

16 Q. Again, isn't that reason the same reason
17 that applies to both customers in group 1 and group
18 2?

19 A. Yes.

20 Q. Okay. So the whole point of the
21 questions I've been asking for the last 5 to 10
22 minutes is tell me the reason to prefer customers in
23 group 1, those who were shopping before July 1,
24 versus customers who were shopping after July 1 but

Page 64

1 before September 7. All the reasons you've given me
2 so far apply to both equally.

3 A. Right. That's why I said that was the
4 initial reason, but ultimately when it's been
5 implemented now, group 1 and group 2 become the same,
6 other than group 1 can increase their load.

7 Q. Would it be fair to say that presently
8 you could provide no basis to distinguish group 1 and
9 group 2?

10 A. Yes.

11 Q. Is Direct Energy aware of municipalities
12 within AEP Ohio that have adopted municipal
13 aggregation ordinances?

14 A. So I just want to be clear, I'm
15 representing RESA so I want to be careful about
16 saying Direct Energy specifically. But, yes, in Ohio
17 it's very public knowledge, if you know where to
18 look, on who has passed municipal ordinances for
19 aggregation.

20 And also, because you have to become
21 licensed as a governmental aggregator, you can go to
22 the Commissions and type in GA-GAG for gas or EL-GAG
23 for electric and see who has actually gotten to the
24 point they have become licensed with the Commission,

16 (Pages 61 to 64)

Page 65

1 which means they passed the ballot issue, gone
2 through the plan of operation process, all of that.
3 So you can see how far along in the process they are.

4 Specifically in the AEP territory could I
5 name a town off the top of my head? No.

6 Q. But your Direct Energy is aware that
7 there are municipalities within AEP Ohio that have
8 adopted municipal aggregation ordinances?

9 A. Yes.

10 Q. And I think you said you couldn't,
11 sitting here today, give me any names.

12 A. Well, I think -- I mean, I guess I could
13 say Dublin. I think Dublin went with electric.
14 There was some members of COPEC. I think the City of
15 Columbus got as far as an electric license for muni
16 ag but never actually implemented one.

17 Q. Any others?

18 A. No. I mean, right off the top of my
19 head, no.

20 Q. Does Direct Energy have any contracts
21 with any municipalities that are acting as municipal
22 aggregators in AEP Ohio's territory?

23 A. For electric, no.

24 Q. The same question for any member of RESA,

Page 66

1 to the best of your knowledge?

2 A. I don't know.

3 Q. Now, one of the things that ultimately
4 happens, there's a contract between a CRES provider
5 and a municipal government aggregator in setting up
6 service under the municipal government aggregation
7 provisions of the Ohio Revised Code, correct?

8 A. Yes.

9 Q. You're not a lawyer, but would you view
10 that contract as a contract between this municipality
11 and the CRES provider on behalf of customers within
12 the municipality?

13 A. Yes.

14 Q. Are you aware of whether there are any
15 municipalities in AEP Ohio's territory that intend to
16 consider municipal aggregation ordinances on the
17 ballot this November?

18 A. I don't know.

19 Q. You said before that you were aware that
20 there was publicly available information that could
21 help someone track the process of a municipality in
22 becoming a municipal aggregator and ultimately having
23 a CRES provider provide service, correct?

24 A. Yes.

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1 Q. Are you aware of steps that are required
2 to go from the initial thought of a municipality
3 potentially becoming a municipal aggregator to
4 customers within the municipality actually receiving
5 services under the municipal aggregation contract?

6 A. Yes.

7 Q. And let's say from the time that a ballot
8 initiative passed, do you have an estimate as to how
9 long that process might take before customers would
10 actually receive service?

11 A. Depending how quickly after the ballot's
12 approved they do their notices, right, and then they
13 have to have the public meetings, and I think those
14 are at least two weeks apart, right? And then
15 depending on the municipality, they might have to do
16 it based on commission meeting -- sorry, not
17 commission -- council meetings. So, you know, not
18 all of them do those weekly. Sometimes they're
19 biweekly or only once a month. Let's assume they did
20 it weekly, and they managed to get that first part
21 done within, you know, I don't know, a month.

22 And then you file to get your license
23 with the Commission; that's 30 days. And then assume
24 you give your printer -- you have to get the opt-out

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1 notice to the Commission if they ask for it, but a
2 printer usually takes about two weeks to get
3 everything printed up. So you are now at about two
4 and a half months.

5 You get that mailed out. You have
6 21 days, so now you're at three and a half months.
7 And then you have to send your enrollment notices to
8 the utility, but they can't be more than -- I think
9 AEP is 12 days before the meter recycle. I mean, it
10 could take four to five months.

11 Q. Well, let me try to put it this way. For
12 a customer that lived in a municipality that was
13 considering a municipal aggregation ordinance on the
14 ballot this November, would it be fair to say that
15 such a customer wouldn't be able to receive service
16 under the municipal aggregation arrangement until at
17 least after the 1st of the year?

18 A. I mean, to receive service, yes.

19 Q. Now, you're aware that the Stipulation,
20 and particularly Appendix C, calls for the
21 development of a detailed implementation plan.

22 A. A detailed -- I'm sorry. Can you point
23 out to where that's at?

24 Q. I'm just asking you generally. Do you

17 (Pages 65 to 68)

Page 69

1 know whether Appendix C contemplates the development
2 of a detailed implementation plan?

3 A. For the cap, yes -- I'm sorry, for the
4 queue, not the cap, for the queue, and how it would
5 be implemented, yes.

6 Q. And who is in charge of developing that
7 plan?

8 A. The signatory parties are developing it
9 in tandem. Who is going to be the scrivener, I don't
10 know.

11 Q. Would you expect that RESA and its
12 members will be able to have some input with respect
13 to that detailed implementation plan?

14 A. Yes.

15 Q. Have you been told by anyone as to when a
16 plan will be available for your review?

17 A. No.

18 Q. Have you been told there will, in fact,
19 be a plan that you will be able to review?

20 A. Yes.

21 Q. Who have you been told by?

22 A. I mean, we agreed to it in the
23 Stipulation.

24 Q. Okay. Is AEP Ohio required to change the

Page 70

1 plan based upon what RESA thinks?

2 A. Based upon just what RESA thinks? No.

3 Q. Or any other signatory party?

4 A. I don't think any -- it wasn't envisioned
5 that any individual party would drive the process.

6 Q. Okay. Let's say all the signatory
7 parties except for AEP say that there should be
8 something in the detailed implementation plan that
9 isn't in there in AEP's draft. Is AEP required to do
10 that?

11 A. No.

12 Q. Do you envision the detailed
13 implementation plan will be subject to Commission
14 review and approval?

15 A. Staff is going to be part of the
16 discussions but as far as formal filing the
17 implementation plan and getting a Commission order
18 that says yes, this is the plan, I don't think that's
19 contemplated under the Stipulation.

20 Q. So as far as you know, the parties do not
21 contemplate the Commission receiving the detailed
22 implementation plan for approval.

23 A. Yes.

24 Q. Has the queue started?

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1 A. I don't believe that it has. I know AEP
2 has had public meetings -- actually, they had a
3 public Webex to discuss the queue, but the queue
4 hasn't actually started, and I believe in that Webex
5 they said their plan is to try to set it up as soon
6 as possible to give some guidance to the market.

7 Q. ~~That was my~~ next question. When do you
8 expect the queue will begin?

9 A. Based on what I heard at the Webex, I
10 expect it to be pretty soon, hopefully -- that is my
11 own hope -- by October.

12 Q. Do you expect the queue to begin before
13 the hearing in this case?

14 A. If my hope is achieved, then yes, it
15 would be in place before the hearing.

16 Q. You received no information as to whether
17 that hope will be realized?

18 A. No.

19 Q. Will CRES providers be notified that the
20 queue has been begun or will begin?

21 A. There's nothing in the Stipulation that
22 requires it, but at their public Webex, AEP said that
23 they would.

24 Q. Again, how will that happen?

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1 A. I don't know.

2 Q. Now, one way that a customer can get into
3 a queue is by virtue of a CRES provider providing an
4 affidavit, correct?

5 A. Yes.

6 Q. And that affidavit has to indicate that
7 there is a validly executed contract, correct?

8 A. Yes. Wait. Hold on. Let me just
9 double-check that because I might be mixing my
10 Michigan rules with my AEP rules.

11 Yes, the affidavit has to indicate that
12 they have a contract with a CRES.

13 Q. So that let's say a CRES provider has a
14 handshake deal with a customer. Is that okay to
15 submit an affidavit?

16 A. No; because it's not a validly executed
17 contract.

18 Q. The contract has to be in writing?

19 A. Yes.

20 Q. The contract has to be signed?

21 A. That was the intent.

22 Q. Okay. Let's say a CRES provider and a
23 customer have a contract that says, "I'll take
24 service from you, CRES provider, only if my customer

Page 73

1 gets the RPM set-aside."? Do you understand my
2 hypothetical so far?

3 A. Yes.

4 Q. Would that be a contract that would be
5 acceptable to provide as part of an affidavit?

6 A. Yes.

7 Q. So a customer could get a place in the
8 queue if they had a contract like that?

9 A. Yes.

10 Q. There is also contemplated under Appendix
11 C that they would be creating a group called group 3,
12 correct?

13 A. Yes.

14 Q. And group 3 customers would be customers
15 that were not in group 1 who sought to expand their
16 usage beyond 10 percent?

17 A. Yes.

18 Q. What information will that customer be
19 required to provide to get into group 3?

20 A. At this point that hasn't really been
21 flushed out.

22 Q. Is there anything that AEP is required to
23 do with respect to confirming or auditing any
24 statement that would be made by a customer that seeks

Page 74

1 to be part of the group 3?

2 A. No, there isn't anything that requires
3 them to audit or do anything more to check those
4 customers out.

5 Q. Did you have a view as to what AEP should
6 do in that regard?

7 A. I'm speaking on behalf of me and not
8 RESA, because I want to be very careful that I'm not
9 speaking on behalf of the members there.

10 I do think that if a customer wants to
11 expand their usage, that they should have to go to
12 AEP and basically show that that load expansion is
13 happening within the RPM cap years and not just
14 simply be able to hold room in the queue for
15 something that they may do and not something that
16 they are doing. Does that make sense?

17 Q. Why do you feel that way?

18 A. I don't want to see a customer hold up
19 the queue and prevent another customer from actually
20 being able to receive RPM pricing.

21 Q. How could that happen?

22 A. Well, in this situation they could
23 basically say, We are expanding. It's going to go,
24 you know, the last 5 percent of what's left in RPM

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1 plus another 10 percent beyond that, right, and then
2 that last -- but we're not going to do it until --
3 you know, we may do it this year, but we might not
4 actually do it until like 2016, right?

5 In that situation you have that last 5
6 percent or 15 percent, depending on the next year,
7 right, of the queue that's just sitting there unused
8 because this customer may or may not do it within the
9 RPM limited years. Basically, it's a way to game the
10 system.

11 Q. So that unless AEP is diligent in the
12 information that it obtains from customers, customers
13 might be able to become a part of group 3, correct?

14 A. Yes.

15 Q. And by doing so, these customers may
16 preclude other customers in group 3 or customers in
17 lower groups from getting a set-aside?

18 A. Yes.

19 MR. KUTIK: Let's go off the record for a
20 minute.

21 (Discussion off record.)

22 MR. KUTIK: Ms. Ringenbach, that's all
23 the questions I have today.

24 MR. HOWARD: Thank you.

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1 MR. KUTIK: Dan, I assume you have no
2 questions?

3 MS. MOORE: This is Christen Moore from
4 Porter Wright. Dan had to step away. We have no
5 questions.

6 MR. KUTIK: I understand that Emma is no
7 longer on the line.

8 Ms. Ringenbach, you know as part of the
9 deposition process you have the right to read the
10 transcript and correct any transcription errors, and
11 you have the ability to waive that right. You and
12 counsel need to indicate whether you will read or
13 waive that right.

14 MR. HOWARD: I recommend, and
15 Ms. Ringenbach has indicated she would like to
16 reserve the right to read the transcript.

17 MR. KUTIK: Very well, and we are
18 concluded.

19 MR. HOWARD: Thank you.

20 THE WITNESS: Thank you.

21 (The deposition concluded at 3:07 p.m.)

22 ---
23
24

Page 77

1 State of Ohio :
 2 : SS:
 3 County of _____:
 4 I, Teresa Ringenbach, do hereby certify that I
 5 have read the foregoing transcript of my deposition
 6 given on Tuesday, September 27, 2011; that together
 7 with the correction page attached hereto noting
 8 changes in form or substance, if any, it is true and
 9 correct.

10
 11 _____
 12 Teresa Ringenbach

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

20
 21 _____
 22 Notary Public

23 My commission expires _____,
 24

Page 78

1 CERTIFICATE

2 State of Ohio :
 3 : SS:
 4 County of Franklin :
 5 I, Rosemary F. Anderson, Notary Public in and
 6 for the State of Ohio, duly commissioned and
 7 qualified, certify that the within named Teresa
 8 Ringenbach was by me duly sworn to testify to the
 9 whole truth in the cause aforesaid; that the
 10 testimony was taken down by me in stenotypy in the
 11 presence of said witness, afterwards transcribed upon
 12 a computer; that the foregoing is a true and correct
 13 transcript of the testimony given by said witness
 14 taken at the time and place in the foregoing caption
 15 specified and completed without adjournment.

16 I certify that I am not a relative, employee,
 17 or attorney of any of the parties hereto, or of any
 18 attorney or counsel employed by the parties, or
 19 financially interested in the action.

20 IN WITNESS WHEREOF, I have hereunto set my
 21 hand and affixed my seal of office at Columbus, Ohio,
 22 on this 29th day of September, 2011.

23
 24 _____
 25 Rosemary F. Anderson,
 26 Registered Professional Reporter,
 27 and Notary Public in and for the
 28 State of Ohio.

29 My commission expires April 5, 2014.

30 (RFA-8665)
 31
 32
 33
 34

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
of Ohio Power Company and	) Case No.
Columbus Southern Power Company	) 10-2376-EL-UNC
for Authority to Merge and)
Related Approvals)
In the Matter of the Application)
of Columbus Southern Power	) Case No.
Company and Ohio Power Company	) 11-346-EL-SSO
for Authority to Establish a)
Standard Service Offer Pursuant	) Case No.
to §4928.142, Ohio Rev. Code, in	) 11-348-EL-SSO
the Form of an Electric Security)
Plan)
In the Matter of the Application	) Case No.
of Columbus Southern Power	) 11-349-EL-AAM
Company for Approval of Certain	) Case No.
Accounting Authority	) 11-350-EL-AAM
In the Matter of the Application)
of Columbus Southern Power	) Case No.
Company to Amend its Emergency	) 10-343-EL-ATA
Curtailment Service Riders)
In the Matter of the Application)
of Ohio Power Company to Amend	) Case No.
its Emergency Curtailment	) 10-344-EL-ATA
Service Riders)
In the Matter of the Commission)
Review of the Capacity Charges	) Case No.
of Ohio Power Company and	) 10-2929-EL-
Columbus Southern Power Company	) UNC
In the Matter of the Application)
of Columbus Southern Power	) Case No.
Company for Approval of a	) 11-4920-EL-
Mechanism to Recover Deffered	) RDR
Fuel Costs Ordered Under Ohio)
Revised Code 4928.144)

DEPOSITION OF DAVID FEIN

September 26, 2011

EXHIBIT

tabbies

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Rachel F. Gard, CSR License No. 084-003324
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1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 In the Matter of the Application)
3 of Ohio Power Company and) Case No.
4 Columbus Southern Power Company) 10-2376-EL-UNC
5 for Authority to Merge and)
6 Related Approvals)

7 In the Matter of the Application)
8 of Columbus Southern Power) Case No.
9 Company and Ohio Power Company) 11-346-EL-SSO
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11 Standard Service Offer Pursuant) Case No.
12 to \$4928.142, Ohio Rev. Code, in) 11-348-EL-SSO
13 the Form of an Electric Security)
14 Plan)

15 In the Matter of the Application) Case No.
16 of Columbus Southern Power) 11-349-EL-AAM
17 Company for Approval of Certain) Case No.
18 Accounting Authority) 11-350-EL-AAM

19 In the Matter of the Application)
20 of Columbus Southern Power) Case No.
21 Company to Amend its Emergency) 10-343-EL-ATA
22 Curtailment Service Riders)

23 In the Matter of the Application)
24 of Ohio Power Company to Amend) Case No.
25 its Emergency Curtailment) 10-344-EL-ATA
26 Service Riders)

27 In the Matter of the Commission)
28 Review of the Capacity Charges) Case No.
29 of Ohio Power Company and) 10-2929-EL-
30 Columbus Southern Power Company) UNC

31 In the Matter of the Application)
32 of Columbus Southern Power) Case No.
33 Company for Approval of a) 11-4920-EL-
34 Mechanism to Recover Deffered) RDR
35 Fuel Costs Ordered Under Ohio)
36 Revised Code 4928.144)

37 DEPOSITION OF DAVID FEIN

38 September 26, 2011

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The telephonic deposition of DAVID FEIN,
called by FirstEnergy Solutions Corp., for
examination, taken pursuant to notice and pursuant
to the applicable rules pertaining to the taking of
depositions, taken before Rachel F. Gard, Certified
Shorthand Reporter, Registered Professional
Reporter, Certified LiveNote Reporter at 77 West
Wacker Drive, Suite 3500, Chicago, Illinois,
commencing at 8:06 a.m. on the 26th day of
September, A.D., 2011.

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I N D E X

WITNESS

PAGE

DAVID FEIN

Examination by Mr. Kutik

7

E X H I B I T S

NO EXHIBITS MARKED

1 (Witness sworn.)

2 WHEREUPON:

3 DAVID FEIN,

4 called as a witness herein, having been first duly
5 sworn, was examined and testified as follows:

6 EXAMINATION

7 BY MR. KUTIK:

8 Q. What is your name?

9 A. David Fein.

10 Q. Mr. Fein, have you brought anything with
11 you to the deposition today?

12 A. I have copies of my prefiled testimony that
13 was filed in the case, as well as a copy of the
14 stipulation.

15 Q. When you say that you have your prefiled
16 testimony, is that the direct testimony in support
17 of the stipulation?

18 A. Yes. I have a copy of that as well as the
19 previously submitted direct testimony from
20 July 25th.

21 Q. Throughout this deposition, I may be
22 referring to both of those pieces of testimony. And
23 can we agree that when I refer to your direct
24 testimony, I'm referring to your July 25th

1 testimony; and when I refer to your stipulation
2 testimony, I'm referring to your September 7
3 testimony?

4 A. September 13, yeah, that's fine.

5 Q. Thank you.

6 You are a lawyer, are you not?

7 A. Yes, I am.

8 Q. You first came to what I'll generally call
9 Constellation in about 2003?

10 A. Correct.

11 Q. Do you consider yourself an expert in the
12 PGM market?

13 A. I wouldn't consider myself an expert, no.

14 Q. Do you have some familiarity with it?

15 A. I have some familiarity with it, yes.

16 Q. Do you consider yourself an expert in the
17 RPM process?

18 A. By no means an expert, but have general
19 familiarity with it.

20 Q. Do you consider yourself an expert in the
21 market for electricity in Ohio?

22 A. If by "market for electricity," if you mean
23 sort of the inner workings or policy framework for
24 the Ohio marketplace, you know, I'm reasonably well

1 versed in the Ohio marketplace, yes.

2 Q. Do you consider yourself someone who is
3 familiar with SB 3?

4 A. Yes.

5 Q. And SB 221?

6 A. Yes, I do.

7 Q. And what we might generally call as the
8 history of the deregulation of the electricity
9 market in Ohio?

10 A. Yes.

11 Q. Do you believe that you are an expert in
12 policies in the electric industry that promote
13 competition?

14 A. That's the nature of my work is advocating
15 for policies that promote competitive electricity
16 markets.

17 Q. So the answer to my question would be yes?

18 A. Yes.

19 Q. Do you consider yourself an expert in rate
20 analysis?

21 A. That's getting a little bit out of my
22 expertise.

23 Q. Do you believe that competition is an
24 objective that should be promoted by the PUCO?

1 A. Yes, I do.

2 Q. Let me refer you to -- Before I do that,
3 with respect to your direct testimony, to the extent
4 that you made statements in that direct testimony
5 relating to appropriate policies, when you made
6 those statements, they were correct, were they not?

7 MR. PETRICOFF: Counsel, just a clarification,
8 are we talking about the July 25th or the
9 September 7th testimony?

10 MR. KUTIK: Well, again, I thought we had
11 agreed the way we were going to refer to the two
12 different testimonies, we were going to call the
13 July 25th the direct testimony and the
14 September 13th the stipulation testimony.

15 MR. PETRICOFF: Okay. Thank you.

16 BY THE WITNESS:

17 A. The answer would be yes.

18 Q. Let me have you refer -- Let me refer you,
19 excuse me, to Page 11 of your direct testimony.

20 A. Okay.

21 Q. And on Page 11 of your direct testimony,
22 you -- and moving over to Page 12, you talk about
23 some of the over-arching benefits of embracing a
24 competitive market model; is that correct?

1 A. Yes.

2 Q. Are the statements that you make in the
3 question and answer that begins on Page 11, Line 1
4 ~~and goes through Page 12, Line 5, still correct~~
5 today?

6 A. Yes, they are.

7 Q. Would it be also correct to say that it
8 would have been your preference that AEP Ohio should
9 have been required to procure XFO load through a
10 competitive bidding process as soon as possible?

11 A. Yes.

12 Q. And would it also be fair to say that you
13 believe that costs associated with the service that
14 customers receive from a CRES, C R E S, provider
15 should be bypassable for a shopping customer?

16 A. Yes.

17 Q. And would it be fair to say that one of
18 the reasons you feel that way is that otherwise
19 customers would be paying twice for the same
20 service?

21 A. That's correct.

22 Q. And if customers paid twice or would have
23 to pay twice for the same service, that would be
24 anticompetitive?

1 A. Correct.

2 Q. You also believe the Commission should
3 avoid discriminatory pricing policies?

4 A. That's correct.

5 Q. Is it fair to say that customers receiving
6 the same service shouldn't be required to pay
7 different prices for that service?

8 A. I'm only pausing, Mr. Kutik, recognizing
9 how many times the commission, you know, has
10 different sort of rate design treatment for
11 different classes of customers. So that's my only
12 hesitation in answering your question.

13 Q. Well, let me ask the question a different
14 way.

15 Would it be fair to say that similarly
16 situated customers receiving the same service
17 shouldn't be required to pay different prices for
18 that service?

19 A. That's generally correct, yep.

20 Q. Now, at some point in your work on what
21 I'll call the ESP case, you reviewed the testimony
22 of Michael Schnitzer, correct?

23 A. Correct.

24 Q. And Schnitzer is S C H N I T Z E R.

1 And, in fact, in your direct testimony,
2 you supported the testimony of Mr. Schnitzer,
3 correct?

4 A. That's correct, as it related to the
5 analysis of the so-called ESP versus MRO test.

6 Q. And you supported how he valued the ESP,
7 correct?

8 A. Yes, I did.

9 Q. And you supported how he valued the MRO,
10 correct?

11 A. That's correct.

12 Q. You also supported his views about the
13 errors that he claimed that Ms. Thomas made in her
14 analysis, correct?

15 A. Correct.

16 Q. Particularly how she failed to account for
17 all of the costs of the proposed ESP, correct?

18 A. Correct.

19 Q. You supported his testimony with respect
20 to how he valued Rider GRR, correct?

21 A. Yes.

22 Q. And you supported his testimony about how
23 he valued the pool termination and modification
24 rider?

1 A. Yes.

2 Q. You supported how he approached valuing a
3 competitive benchmark price?

4 A. ~~Yes~~ My testimony generally supported
5 Mr. Schnitzer's testimony on all those matters.

6 Q. Now, you, through your work, have become
7 aware of the amount of shopping that's taken place
8 in the AEP Ohio territory, correct?

9 A. Yes.

10 Q. Let me direct you to your direct testimony
11 on Page 12.

12 A. Okay.

13 Q. And specifically the statement that begins
14 on Line 22 that reads: There was virtually no
15 switching to CRES providers since the adoption of
16 AEP Ohio's ESP 1, paren, less than 1 percent of CSPs
17 load and virtually no switching in Ohio power, close
18 paren, until late in calendar year 2010.

19 Did I read that correctly?

20 A. Yes, you did.

21 Q. And is that still a true statement?

22 A. To the best of my knowledge, yes.

23 Q. And then going on at the bottom of Page 12
24 and onto the top of Page 13, you give certain

1 statistics about shopping, correct?

2 A. Yes.

3 Q. And are those statistics still accurate
4 for the period of time which you were reporting
5 there?

6 A. They are based -- based off the
7 Commission's market monitoring reports. So assuming
8 that report is correct, they're correct.

9 Q. Do you believe that there is an oversupply
10 of generation in Ohio?

11 A. Could you help me with what you mean by
12 "oversupply of generation in Ohio"?

13 Q. Well, let me refer you to Page 13 of your
14 testimony.

15 A. Okay.

16 Q. And you provide some statements in the
17 question and answer that begins on Line 7 about AEP
18 Ohio, correct?

19 A. Uh-huh.

20 Q. And is that a yes?

21 A. Yes.

22 Q. And particularly on Line 13, you say: AEP
23 Ohio itself acknowledges that it has an oversupply
24 of generation in its two most recent long-term

1 forecast report filings. Correct?

2 A. Correct.

3 Q. Do you believe that in AEP Ohio, there is
4 an oversupply of generation?

5 A. Yes.

6 Q. Do you believe that there is an oversupply
7 of generation in Ohio?

8 A. I believe that to be the case, but I
9 haven't familiarized myself with all the forecasts
10 for the other utilities.

11 MR. KUTIK: Let's go off the record for a
12 moment.

13 (Discussion off the record.)

14 MR. KUTIK: Let's go back on the record.

15 BY MR. KUTIK:

16 Q. Is it also true, Mr. Fein, the generation
17 needs for Ohio customers is not handled on a
18 state-by-state basis?

19 A. That's correct.

20 Q. Now, is it true, sir, that the stipulation
21 authorizes the establishment of two riders, Rider
22 GRR and Rider MTR, among others?

23 A. Yes, that's correct.

24 Q. Would it be fair to say that Rider GRR is

1 generation related?

2 A. Yes.

3 Q. And it is proposed that Rider GRR would be
4 ~~non-bypassable, correct?~~

5 A. Yes.

6 Q. Would it be fair to say that to the extent
7 that AEP Ohio seeks to recover the costs from
8 Turning Point consistent with Ohio Revised Code
9 Section 4929.64(e), the appropriate place to recover
10 such costs would be through bypassable Rider AER?

11 A. If -- I would agree with you to the extent
12 that those costs are to meet the state's renewable
13 portfolio standards, that the costs associated with
14 complying with the renewable requirements under that
15 provision of the statute does talk about those costs
16 being bypassable for customer shopping.

17 Q. Has the Turning Point project been
18 competitively bid as far as you know?

19 A. I am not aware whether or not it has or
20 not.

21 Q. Do you know whether AEP Ohio has produced
22 a revenue requirement for the Turning Point project?

23 A. I do not believe that they have; or if they
24 do, I'm unaware of it.

1 Q. Are you aware that Mr. Schnitzer attempted
2 to estimate the potential cost of the Turning Point
3 project in coming up with a value for Rider GRR?

4 ~~Q. I believe that he did, in fact, do that,~~
5 yes.

6 Q. In fact, are you aware of anything right
7 now that would support including any costs from the
8 Turning Point plan in the non-bypassable rider?

9 A. It's my -- Excuse me. It's my
10 understanding that under the stipulation, the
11 company would have to come forward with all the
12 various information and data to satisfy the statute
13 before they'd be allowed to collect any costs
14 associated in the form of the GRR tariff.

15 Q. That's not my question.

16 My question is whether you're aware of
17 anything in this record right now that would support
18 including any costs from Turning Point in a
19 non-bypassable rider?

20 A. Not at this point. It's my understanding
21 it's set at zero.

22 Q. Now, the stipulation also refers to
23 another plant, MR6, correct?

24 A. Yes.

1 Q. Are you aware of whether that plant is
2 going to be competitively bid?

3 A. I'm not aware at this time, and I don't
4 believe --

5 Q. Do you know -- I'm sorry.

6 A. I was just going to say that I do not
7 believe that information is in the record of this
8 proceeding.

9 Q. Are you aware of any need for that
10 facility from a resource planning perspective?

11 A. No, I'm not.

12 Q. Are you aware of anything that would
13 support including any costs from MR6 in any
14 non-bypassable rider as we sit here today?

15 A. I am not.

16 Q. Do you believe that it would be
17 appropriate as you understand the stipulation for
18 AEP to attempt to recover the costs of closing M5,
19 MR5, as part of the MR6 plant costs?

20 A. Could you say that one more time? I'm
21 sorry.

22 Q. Sure. Let me back up.

23 You're aware, are you not, that AEP Ohio
24 has a unit of generation called MR5?

1 A. Yes.

2 Q. And you're also aware that there's been
3 some discussion about that MR5 unit or plant
4 closing?

5 A. Yes.

6 Q. Being retired?

7 A. Yes.

8 Q. And my question is: Would it be
9 appropriate under the stipulation for AEP Ohio to
10 seek the recovery of the costs associated with
11 closing MR5 through the GRR as part of the MR6 plant
12 costs?

13 A. So in other words, when -- or I should say
14 if the company makes the requisite filing to flow
15 costs through the GRR, would it be appropriate to
16 include any of the closure costs with MR5? To say
17 it another way.

18 Q. That's my question.

19 A. Okay. I have not, and my testimony didn't
20 look at that issue. And I guess that's an issue
21 that I would foresee being raised in the context of
22 whatever that filing might look like. But my
23 understanding of the statute is that closure costs
24 aren't the type of costs that are to be flown

1 through a non-bypassable type of rider pursuant to
2 that provision of the code.

3 Q. So your view is it would not be
4 appropriate to include such costs?

5 A. I don't believe so.

6 Q. Is there anything in the stipulation that
7 prevents AEP Ohio from applying for the recovery of
8 the cost to close generation units?

9 A. Is there anything specific in the stip that
10 would prevent that?

11 A. I don't -- I'm not aware of anything
12 directly on point to that fact, other than the fact
13 that a certain previously proposed rider that was
14 intended to recover those type of costs was
15 eliminated as part of the stipulation.

16 Q. Okay. Well, for example, you're aware
17 that AEP Ohio had filed for the recovery of costs
18 associated with closing the Sporn, S P O R N, 5
19 unit, correct?

20 A. Yes, generally familiar with that.

21 Q. And there's nothing in the stipulation
22 that would prevent AEP Ohio from filing for the
23 recovery of all costs of closing other units in
24 other separate proceedings, correct?

1 A. I don't believe there is, no.

2 Q. And would your answer be the same with
3 respect to an attempt by AEP to recover
4 undepreciated plant costs associated with closed
5 facilities -- in other words, that they could, AEP
6 could file separate proceedings to recover such
7 costs?

8 A. Yes.

9 Q. You're familiar with a rider called Rider
10 MTR, correct?

11 A. Yes.

12 Q. And would it be fair to say that Rider MTR
13 is purely generation related?

14 A. Yes.

15 Q. And would it be fair to say that those who
16 are shopping shouldn't have to pay for it?

17 A. Well, I'm pausing a little bit because as I
18 understand Rider MTR, it's a bit of a rate design
19 change to a tariff that obviously is a credit and is
20 a charge for certain classes of customers.

21 Q. Can you answer my question?

22 A. I'm trying to remember it.

23 Q. The question was: Would it be fair to say
24 that those who are shopping shouldn't have to pay

1 for it -- that is, Rider MTR?

2 A. Generally speaking, customers should not
3 have to pay for generation-related charges if
4 they're shopping.

5 Q. Is it your view that Rider MTR is revenue
6 neutral?

7 A. That's my understanding of it.

8 Q. Are you aware of whether there would be
9 any increases, rate increases, or I should say
10 revenue increases, as a result of any part of the
11 implementation of Rider MTR?

12 A. I'm not aware.

13 Q. Would your view of the propriety of Rider
14 MTR change if that rider was not revenue neutral?

15 A. It may or may not. Obviously it's one item
16 that's part of a comprehensive settlement.

17 Q. Now, would it be fair to say that under a
18 competitive bidding process for POLR, P O L R, load
19 procurement, all risks are borne by a competitive
20 wholesale supplier instead of customers?

21 A. Correct.

22 Q. Is it also the case that a competitive
23 bidding process for POLR load procurement provides a
24 proper balance for the most competitive prices while

1 maintaining a reasonable level of price stability?

2 A. I agree with that.

3 Q. Let me refer you to Page 36 of your direct
4 testimony.

5 A. I'm there.

6 Q. And let me refer you to the paragraph that
7 begins on Line 7 and goes through Line 23.

8 A. Yes.

9 Q. And at this point of your direct
10 testimony, you're discussing the benefits of
11 competitive bidding process procurement structure,
12 correct?

13 A. Correct.

14 Q. Are the statements that you made here
15 true?

16 A. Yes, they are.

17 Q. And they're still true, correct?

18 A. Yes, they are.

19 Q. Now, would it be fair to say that the
20 stipulation does not require AEP Ohio to engage in a
21 competitive bidding process for any load until the
22 load that is to be delivered on -- starting on
23 June 2015, correct?

24 A. Under the stipulation, the first

1 competitive bid, if you will, is set to occur in the
2 fall of 2012. That bid is for a product that,
3 you're correct, would not be delivered until June 1,
4 2015.

5 Q. So the benefits of a competitive bidding
6 process in AEP Ohio would not be felt by
7 non-shopping customers until June of 2015, correct?

8 A. If by that you mean they won't be able to
9 have power priced in such a way until then, I guess
10 that's an accurate statement, yes.

11 Q. Now, under the stipulation, is it fair to
12 say that until June of 2015, shopping customers may
13 pay one of two capacity prices?

14 A. That's generally correct, yes.

15 Q. And I should say in given period, correct?

16 A. I will agree with you, yeah, that's
17 correct.

18 Q. And one of the prices, capacity prices
19 would be an RPM-based price, correct?

20 A. Correct.

21 Q. And the other price would be what I'll
22 just call the 255 price; fair to say?

23 A. Yes.

24 Q. Now, is there any difference in the

1 capacity that will be priced at 255 versus the
2 price -- the capacity price at the RPM level?

3 A. No.

4 Q. The stipulation, particularly through
5 Appendix C, establishes a priority for customers to
6 receive the RPM price, correct?

7 A. Yes. That's the RPM set-aside allotment
8 rules?

9 Q. Yes.

10 A. Correct.

11 Q. And particularly Appendix C sets up five
12 groups, correct?

13 A. Yes, that's correct.

14 MR. KUTIK: Let's go off the record for a
15 minute.

16 (Discussion off the record.)

17 MR. KUTIK: Back on the record.

18 BY MR. KUTIK:

19 Q. Now, one group of customers that gets, I
20 guess, the best price, folks that would be in
21 Group 1, would be customers that have shopped as of
22 July of this year, correct?

23 A. That's correct.

24 Q. And what is the basis to prefer those

1 customers over other customers?

2 A. In my view, the basis would be to allow
3 those customers who had made decisions to take
4 service from a CRES provider to essentially not have
5 their existing arrangements with that CRES provided
6 interfered with, if you will, by this -- by the ESP
7 proceeding.

8 Q. Would you consider having a shopping
9 customer having to pay for capacity at 255 an
10 interference?

11 A. Well, it potentially changes the economics,
12 you know, of a particular contract they may have
13 with a CRES provider with the following proviso:
14 Obviously I'm not intimate into the details of what
15 any one supplier might be handling, the issue of
16 capacity in a retail contract. But certainly for
17 someone who maybe fixed that amount based upon the
18 then applicable capacity paradigm in the AEP service
19 territory, yes.

20 Q. Okay. What would be the basis for giving
21 those folks priority -- that is, the customers that
22 have been shopping since July or as of July of this
23 year versus customers who were shopping as of
24 September 7th of this year?

1 A. You know, I believe that that date was
2 picked -- Well, to be honest with you, I don't
3 recall why specifically that date was picked as an
4 appropriate ~~sort~~ of cutoff period, if you will, for
5 that Group 1.

6 Q. So you cannot, sitting here today, give me
7 a basis for distinguishing Group 1 customers from
8 Group 2 customers; fair to say?

9 A. Yes, that's fair to say.

10 Q. And the rationale that you gave me
11 earlier -- that is, that you wouldn't want to
12 interfere with the arrangement between the CRES
13 provider and the customer -- would be the rationale
14 for preferring or giving priority to Group 1 and 2
15 customers over other groups, correct?

16 A. Correct.

17 Q. Now, Group 3 customers are customers that
18 are not in Group 1 or Group 2 but wish to expand,
19 correct?

20 A. Correct.

21 Q. What is the basis of preferring those
22 customers over other customers that are not in
23 Group 1 or Group 2?

24 A. Yeah, I'm not sure if I'm reading or if my

1 understanding of the Group 3 customer necessarily is
2 exclusive of 1 and 2.

3 Q. Okay. Well, is it your understanding that
4 Group 1 customers could also be Group 3 customers?

5 A. Well, Group 1 does include sort of that
6 same concept, although it doesn't have that
7 10 percent figure. You know, the Group 1 customer
8 is allowed to increase its usage above the cap for
9 existing or expanded load.

10 Q. Okay. Go ahead.

11 A. So that's specifically addressed without a
12 10 percent figure in Group 1.

13 Group 2, though, doesn't have that same
14 provision. So I view that maybe a customer who was
15 in Group 2, it was designed to potentially help
16 those customers expand load and potentially exceed
17 the cap, you know, the idea there being, of course,
18 that this would be some means to help promote
19 potentially economic development from a facility
20 that was expanding in Ohio.

21 Q. And would you believe that that would be
22 the rationale behind preferring Group 3 customers
23 over Group 4 and 5 customers?

24 A. Yes, I believe that was some of the

1 thinking behind it.

2 Q. Okay. Well, what other thinking was
3 behind it?

4 ~~Well, the whole concept of the different~~
5 groups and the priorities. This is similar, not
6 identical, but similar to a process utilized in the
7 state of Michigan with respect to how you manage a
8 queueing process with respect to the cap that they
9 have on competition. And I think some of the
10 thinking behind the process was borrowed from that
11 procedure.

12 Q. And you're familiar with the Michigan
13 rules?

14 A. I am.

15 Q. You're familiar with the statute on which
16 those rules are based?

17 A. I am.

18 Q. I think as you indicated, a statute
19 provides hard caps for shopping; do they not?

20 A. Unfortunately they do, yes.

21 Q. And there is not a similar statute in
22 Ohio, correct?

23 A. That's correct.

24 Q. Now, is it your view that the set-asides

1 effectively set shopping caps?

2 A. I don't -- I would not agree that there are
3 effective hard caps on shopping.

4 ~~Q. I didn't say they were effective hard caps~~
5 on shopping. I said they were effective caps on
6 shopping.

7 A. I would describe it as a potential
8 limitation on shopping just because of the economics
9 for the capacity charged. But it's not necessarily
10 a cap on shopping in that your capacity costs, you
11 know, are a component of your total energy price.

12 Q. But wouldn't you agree with me that
13 compared to a capacity price set at the RPM level,
14 it is less likely a customer would shop if a
15 customer had to pay a capacity price of 255?

16 A. It may not be depending upon the length of
17 time that a customer is seeking to contract.

18 Q. So you don't believe that it would be less
19 likely that a customer would shop if they had to pay
20 255 for capacity as opposed to the RPM process in
21 the ESP period we're talking about?

22 A. It may lead to a customer being less likely
23 to shop during the period of, you know, Jan. 1 until
24 the RPM goes into construct underneath the

1 stipulation; but it's certainly not an absolute.

2 Q. Do you believe that dramatic increases in
3 capacity prices over the RPM price will have an
4 ~~adverse effect on shopping?~~

5 A. Do I think? I'm sorry.

6 MR. KUTIK: Rachel, could you read the
7 question?

8 (Record read as requested.)

9 BY THE WITNESS:

10 A. You mean during the ESP term?

11 Q. Generally.

12 A. I believe that it can have a negative
13 impact on shopping.

14 Q. And, for example, previously in this case
15 you had testified about what you felt would be the
16 effect of a 400 percent increase in capacity costs,
17 correct?

18 A. If you're referring to my prefiled direct
19 testimony, that's correct.

20 Q. In fact, you felt that such a dramatic
21 increase of 400 percent would harm retail consumers
22 and eliminate competition, correct?

23 A. Correct.

24 Q. Would you feel the same way about an

1 increase of over 200 percent?

2 A. It's certainly a much smaller amount. And
3 taken as a package and where at least the right
4 direction that AEP Ohio seems to be going pursuant
5 to the stipulation, it will allow shopping to
6 continue and to expand over the term of the ESP
7 period until we get to full market pricing.

8 Q. I'm not sure that answers my question, so
9 let me put it to you again.

10 Do you feel that an increase of over
11 200 percent in capacity prices will harm retail
12 customers and eliminate competition?

13 A. I do not believe it will eliminate retail
14 competition.

15 Q. But will it limit retail competition?

16 A. It may limit retail competition.

17 Q. Are you familiar with a case involving the
18 two AEP Ohio companies that is sometimes referred to
19 as the ETP case?

20 A. I'm generally familiar with it.

21 Q. And were you -- When you say you're
22 generally familiar with it, what does that mean?

23 A. It means that I was not directly involved
24 in either of those cases. And my knowledge of that

1 is based upon, you know, sort of cursory review of
2 prior orders and other testimony addressing those
3 earlier cases that predates some of the period of
4 time that I was focused on Ohio energy policy.

5 Q. Those cases took place before you came to
6 Constellation, correct?

7 A. They did.

8 MS. BRADY: Can we go off the record for just a
9 sec?

10 (Discussion off the record.)

11 MR. KUTIK: Okay. Back on the record.

12 BY MR. KUTIK:

13 Q. Are you aware that there was a --

14 THE COURT REPORTER: I'm sorry. With the door
15 closing, I couldn't hear the question.

16 MR. KUTIK: Let me do it again.

17 BY MR. KUTIK:

18 Q. Were you aware that there was a
19 stipulation in those cases -- that is, the ETP
20 cases?

21 A. I am aware that there was a stipulation in
22 those cases.

23 Q. Were you aware of whether as a result of
24 those cases, there was any limitations on AEP's --

1 the two AEP Ohio companies recoveries of regulatory
2 transition costs or generation transition costs?

3 A. I believe that there was some aspect of
4 that addressed in the stipulation.

5 Q. As a matter of fact, under Ohio law, there
6 are limitations as to when or over what period those
7 costs may be recovered, correct?

8 A. I believe that's correct.

9 Q. Let me refer you, now, back to your direct
10 testimony on Page 38.

11 A. Okay.

12 Q. I want to direct you specifically to the
13 answer that begins on Line 13. Are you there?

14 A. Yes.

15 Q. And my question -- and we'll go through
16 each of these -- is whether the stipulation provides
17 for a change in any of these things. So, for
18 example, does the stipulation require AEP Ohio to
19 implement rate-ready and bill-ready billing?

20 A. No, it does not.

21 Q. Does it require AEP Ohio to implement a
22 purchase of receivables program?

23 A. Not specifically, no.

24 Q. When you say "not specifically," what does

1 that mean?

2 A. Well, it doesn't really address it one way
3 or other. I guess what I describe there, they have
4 a ~~current~~ program that's akin to a purchase of
5 receivables program that is not addressed by this
6 stipulation.

7 Q. So there's no change in the purchase of
8 receivables program as a result of the stipulation,
9 correct?

10 A. That's correct.

11 Q. Does the statute -- Or excuse me. Does
12 the stipulation require an elimination of the
13 12-month minimum stay it requirement?

14 A. It does.

15 Q. So is it your view that AEP Ohio cannot
16 require customers to stay for a 12-month minimum
17 stay?

18 A. Effective June 1, correct.

19 Q. Now, does the stipulation require AEP to
20 provide CRES providers with a list of customers that
21 is refreshed and updated in each quarter?

22 A. The stipulation has them updating such a
23 list on an annual basis.

24 Q. So it's not updated each quarter?

1 A. Correct.

2 Q. Does the stipulation require AEP Ohio to
3 provide web-based electronic access to key customer
4 ~~usage and account data that can be accessed via a~~
5 supplier website that presents data and information
6 in a format that can be automatically scraped?

7 A. It does not.

8 Q. Does the stipulation require AEP to
9 provide data access for validation, error detection,
10 and editing data hosted via electronic data
11 interchange post?

12 A. It does not.

13 Q. Does it -- Does the stipulation require
14 AEP Ohio to provide data access to 867 historical
15 usage and historical interval usage data?

16 A. The settlement does not.

17 Q. Does the stipulation require AEP Ohio to
18 provide data access regarding 867 monthly usage and
19 interval usage data?

20 A. The stipulation does not.

21 Q. Does the stipulation require AEP Ohio to
22 provide data access regarding transmission and
23 capacity peak load contributions in 867s?

24 A. Yes, it does.

1 Q. Does the stipulation require AEP Ohio to
2 provide data access regarding transmission and
3 capacity peak load contributions -- I already asked
4 ~~you about that, didn't I?~~

5 A. No, I don't think you did. That one is a
6 yes, though.

7 Q. Okay. So it does require 867 monthly
8 usage data and interval usage data, correct?

9 A. Correct.

10 Q. And does it require -- that is, the
11 stipulation, does it require AEP Ohio to provide
12 transmission and capacity peak load contributions in
13 867s?

14 A. It requires it to be provided in that
15 format as well as on the master customer list.

16 Q. Does the stipulation require AEP Ohio to
17 provide data access regarding meter-read cycle
18 information?

19 A. The stipulation does not.

20 Q. Does the stipulation require AEP Ohio to
21 provide access regarding accounts requested together
22 should come back together unless there would be an
23 unnecessary delay for a particular subset of
24 accounts?

1 A. It stipulation does not.

2 Q. Does the stipulation provide data access
3 regarding a quarterly updated sync, S Y N C, list
4 ~~should be included to CRES providers on a~~
5 confidential basis showing the accounts enrolled
6 with a CRES provider?

7 A. The stipulation does not.

8 Q. Let me refer you to Page 41 of your direct
9 testimony.

10 A. Okay.

11 Q. And specially I want to direct you to your
12 testimony starting at Line 15.

13 A. Uh-huh.

14 Q. Is that a yes?

15 A. Yes, sorry.

16 Q. Does the stipulation require -- Well, I'll
17 back up.

18 Here in your direct testimony, starting at
19 Line 15 on Page 41 and going over to Line 16 on
20 Page 42 --

21 A. Yes.

22 Q. -- you provide what you believe AEP Ohio
23 should provide to CRES providers and others who
24 might be interested in serving customers in AEP

1 Ohio, correct?

2 A. Yeah. Here I talk about a web-based system
3 that would include certain data and information,
4 that's correct.

5 Q. Does the stipulation require AEP Ohio to
6 do this?

7 A. The stipulation does not require AEP Ohio
8 to set up a web-based system to allow access to this
9 type of information.

10 However, it does include a large chunk of
11 this data information on the so-called master
12 customer list.

13 Q. Can you tell me what information AEP is
14 not required to provide on the master customer list
15 that you list beginning on Line 15 of Page 41 of
16 your direct testimony?

17 A. I don't have an accurate list of what they
18 currently provided, what's modified by the
19 stipulation compared to this. I can't do that right
20 now, no.

21 Q. So we don't know what information is
22 required or not required in this list; fair to say?

23 A. I have a fair understanding of what is
24 included. It's not all of it.

1 Q. And so you can't tell me what AEP is not
2 required to provide sitting here today?

3 A. Well, I could try.

4 Q. Okay. Please do.

5 A. Well, those items, the item on Line 21,
6 email addresses, I don't believe they're required to
7 provide that on the master customer list. I don't
8 believe they have meter types or interval meter
9 flag. I don't believe that the rate code indicator
10 or load profile group indicator appears currently.

11 Q. And is it your view that those things are
12 not required by the stipulation?

13 A. That's correct.

14 Q. Anything else on your list on Page 42 of
15 your direct testimony that's not required?

16 A. Yes. I don't believe the items that appear
17 on Lines 11, 12, 13, 14, or 16 appear on the master
18 customer list.

19 Q. And they're not required by the
20 stipulation?

21 A. That's correct.

22 Q. And those items are effective dates for
23 current and pending rate class?

24 A. Correct.

1 Q. Default service indicators, if on default
2 service?

3 A. Correct.

4 Q. Minimum stay dates, if applicable?

5 A. Correct.

6 Q. Identifiers whether customers have
7 participated in budget plans?

8 A. Correct.

9 Q. Identify if a customer is in PRO program?

10 A. Correct.

11 Q. Let me direct you to Page 43 of your
12 testimony. Here you are -- You are indicating some
13 other information that you believe AEP Ohio should
14 be required to provide, correct?

15 A. Correct.

16 Q. Does the stipulation require AEP Ohio to
17 provide notification to the CRES provider of record
18 before a drop occurs providing the CRES providers
19 the ability to cure the situation?

20 A. No, it does not.

21 Q. Does the stipulation require AEP Ohio to
22 provide legacy customer numbers?

23 A. No, it does not.

24 Q. Does the stipulation require AEP Ohio to

1 provide regular and electronic -- excuse me --
2 regular electronic mail notifications of tariff,
3 supplements, modifications, or changes when filed
4 with the Commission?

5 A. It does not.

6 Q. Does the stipulation require AEP Ohio to
7 engage in semi-annual or quarterly meetings or
8 conference calls with CRES providers to discuss
9 proposed tariff changes, business practices, or
10 other information?

11 A. It does not.

12 Q. What was your role in the negotiation of
13 the stipulation of this case?

14 A. My role was to represent my company in that
15 process.

16 Q. Did you participate in those negotiations?

17 A. I did participate in many of those
18 negotiations.

19 Q. Did you do any analysis, quantitative
20 analysis of comparing the MRO, or an MRO versus the
21 proposed ESP based upon the stipulation?

22 A. I did not.

23 Q. And in your participation in this case and
24 other cases, you've become familiar with

1 calculations and how analysts go about comparing
2 ESPs and MROs, correct?

3 A. Yes, I've seen -- I've been a participant
4 in ~~cases~~ where that issue has been addressed before
5 the commission, yes.

6 Q. Now, is it your view that AEP Ohio was
7 entitled to recover a capacity charge at a level
8 around \$355 per megawatt day?

9 A. Is it my -- Is it my opinion they're
10 entitled to a \$355 per megawatt day capacity charge?

11 Q. Yes?

12 A. No.

13 Q. Do you believe it is an appropriate way to
14 quantify the benefit of the ESP, to calculate the
15 discount of capacity from 355 to the capacity prices
16 in the stipulation?

17 A. Again, I don't profess to be an expert on
18 the actual calculations of the requisite comparison;
19 so that's not an area that I focused on either in
20 testimony or in my participation in any settlement
21 process.

22 Q. Well, certainly would it be your view,
23 then, that you could not support as part of an ESP
24 MRO benefit calculation, a quantification of

1 benefits that was based on a discount from the 355
2 capacity charge?

3 A. Again, that's not an area of where I would
4 ~~offer any expertise.~~

5 Q. All right. Well, did you review
6 Mr. Allen's testimony in support of the stipulation?

7 A. I don't recall if I did or not. I
8 certainly did with attention to some of the issues
9 affecting a CRES provider that Mr. Allen addressed,
10 but I don't have the testimony in front of me.

11 Q. Well, do you recall that Mr. Allen
12 attempted to quantify a benefit of the ESP based
13 upon the discounted capacity prices from 355?

14 A. I'm generally familiar that he may have
15 done that.

16 Q. And would you agree with me that for that
17 benefit to be proper, AEP would have in the first
18 place been entitled to a charge, a capacity price of
19 355?

20 A. I guess when you use the word "entitled,"
21 you mean that the commission or some other
22 regulatory agency allowed them to collect that type
23 of capacity charge.

24 Q. Well, that's not exactly what I meant.

1 But taking that definition, could you answer my
2 question?

3 A. If there had been some approval or adopted
4 ~~mechanism that had that level~~, then I guess that's
5 one comparison you could make. Again, it's a little
6 bit out of my expertise in pricing and the
7 comparison test.

8 Q. Well, you don't view the 355 as a proper
9 price for capacity, do you?

10 A. You know, it's a number that is, you know,
11 well above current RPM rates, but we also recognize
12 the nature of the process and the commissionability
13 to set a state compensation mechanism for RPM. All
14 of these --

15 Q. That wasn't my question.

16 My question is: Did you believe that the
17 355 price a proper capacity price?

18 A. No, we did not.

19 Q. And would it be fair to say that to
20 calculate a discount from a 355 price and quantify
21 that as a benefit, one would have to assume that the
22 355 was proper in the first place?

23 A. I see your point.

24 Q. Do you agree with it?

1 A. I agree with it.

2 Q. When did you first receive a draft of
3 Appendix C?

4 A. Is that ~~the~~ RPM set-aside allotment rules?

5 Q. Yes.

6 A. I do not recall the first date that I
7 received that.

8 Q. Was it a month before September 7th?

9 A. No, I don't believe so.

10 Q. Was it a week before September 7th?

11 MR. PETRICOFF: I'm going to interpose an
12 objection to the line of questioning here. This
13 goes into how the negotiations were conducted.

14 However, having said that, David, you can
15 answer, if you can.

16 BY THE WITNESS:

17 A. I think your last question was did you
18 receive it a week before?

19 Q. Within a week, yes.

20 A. Within a week prior to the September 7th
21 filing?

22 Q. September 7th.

23 A. I would say to the best of my recollection,
24 it was within a week to two weeks.

1 Q. And did you provide any comments on the
2 draft you received?

3 MR. PETRICOFF: Okay. This time I am going to
4 object. ~~That goes into the participation in the~~
5 negotiation, and I think that's beyond the line.

6 MR. CONWAY: I object also. This is Dan
7 Conway.

8 MR. KUTIK: Are you instructing him not to
9 answer, Howard?

10 MR. PETRICOFF: On what his participation was,
11 that's correct.

12 MR. KUTIK: My question again was whether he
13 provided any comments on that. And you are
14 instructing him not to answer that question?

15 MR. PETRICOFF: That's right because that goes
16 to what the settlement process -- his participation
17 in the settlement process.

18 MR. KUTIK: And why is that a basis to instruct
19 him not to answer?

20 MR. PETRICOFF: Because the settlement process
21 is privileged.

22 MR. KUTIK: And what is your basis for saying
23 that the settlement process is privileged.

24 MR. PETRICOFF: I'm just giving you my basis.

1 We can call the hearing examiner, if you want, to
2 overrule it.

3 MR. KUTIK: Well, do you have any basis that
4 you can provide me today that the settlement process
5 is privileged?

6 MR. PETRICOFF: I can give you proper citations
7 later. But in Commission practice, settlement
8 negotiations have always been protected and
9 privileged.

10 MR. CONWAY: And would reiterate or support
11 that view. That was the context in which settlement
12 discussions were conducted in this proceeding.

13 MR. PETRICOFF: Otherwise you couldn't have
14 free and open settlement in what would be a disputed
15 or partial stipulation.

16 MR. KUTIK: And let me put on the record my
17 position, and that is that although I understand
18 that settlement discussions may or may not be
19 admissible under Rule 408 of the Ohio Rules of
20 Evidence, that is not a basis, their inadmissibility
21 is not a basis to preclude examination on a
22 settlement process in a deposition.

23 Since you may be referring to a privilege,
24 there are privileges that exist like attorney-client

1 privilege or like a joint defense privilege. You
2 have not indicated that this is attorney-client
3 privilege. Rather you've indicated it's a
4 settlement privilege.

5 Further, with respect to the joint defense
6 privilege, there cannot be a joint defense privilege
7 because to have a joint defense privilege, there
8 would have to be a common interest. And no common
9 interest existed between Constellation or any other
10 party that was part of the stipulation, particularly
11 parties like AEP Ohio because those parties were
12 adverse up until the time the stipulation was
13 reached, so there can be no privilege reached on
14 that. That's my position.

15 MR. PETRICOFF: If you wish, we can continue
16 on. If you wish to call the hearing examiner for
17 ruling, that's fine with me too.

18 MR. KUTIK: Well, we will probably pursue it at
19 some other time. But at this point in time, you do
20 not -- you are still going to instruct him not to
21 answer?

22 MR. PETRICOFF: That's correct.

23 BY MR. KUTIK:

24 Q. And, Mr. Fein, just so that we can make

1 sure we're not fighting about nothing, but for your
2 counsel's instruction, could you answer the question
3 with an answer other than I don't know or I don't
4 remember?

5 A. Yes.

6 Q. Now, as part of your review of Appendix C,
7 did you do any analysis with respect to how the
8 proposed level of set-asides -- that is, the
9 percentages -- compared to current levels of
10 shopping?

11 A. I looked at the current shopping data
12 during the process.

13 Q. So is the answer to my question yes?

14 A. Well, you used the word "analysis." So I
15 don't know if you'd call that an analysis but
16 certainly was aware of the current -- some of the
17 current shopping data that's available.

18 Q. Did you compare the percentage set asides
19 with the level of shopping from the data that you
20 had seen?

21 A. Yes.

22 Q. Did you come to any conclusion as to
23 whether any class of customers was near or above the
24 proposed level of set-asides?

1 A. Had some ideas. But due to the nature of
2 the type of data that's provided on switching, the
3 only data you really had were, you know, were actual
4 shopping numbers.

5 Q. When you said you had an idea, what does
6 that mean?

7 A. Well, the way in which the data is provided
8 isn't a perfect match for the groups, if you will,
9 in Appendix C. And then you have the whole question
10 of the group of customers that would be in the
11 so-called 90-day notice bucket.

12 So it was an imprecise comparison or an
13 imprecise set of data to make certain assumptions or
14 comparisons.

15 Q. Well, the data you looked at, did that
16 include the data that was on the PCO website?

17 A. Yes.

18 Q. And would that be data that reflected
19 shopping as of June 30th of this year?

20 A. That's correct.

21 Q. Would it be fair to say that you also had
22 some internal Constellation data?

23 A. No. That wouldn't be correct.

24 Q. Okay. So all the data you had was

1 publicly available?

2 A. All the data we had was either
3 data publicly available or data that may have been
4 ~~was~~ provided through the discovery process.

5 Q. Okay. So did you come to any conclusions
6 about the level of shopping compared to the
7 set-aside percentages?

8 A. Came to some conclusions that it was more
9 likely that you'd see the commercial class fill up
10 quickly, if not already filled up.

11 Q. Any other conclusions?

12 A. That -- When I say "filled up," I should
13 say for the 2012 period.

14 Q. And when you say "filled up," basically
15 that the allotment for that customer class would be
16 filled?

17 A. That's right. The RPM set-aside allotment
18 would have been filled for calendar year 2012.

19 Q. Did you come to any other conclusions?

20 A. No.

21 Q. Did you come to any conclusions about the
22 industrial class?

23 A. Only conclusions there was that there
24 appeared to be -- there appeared to be a

1 sufficient -- you know, that class based on the
2 information at that time was not fully subscribed to
3 the allotment level for that class.

4 Q. And how did the relative percentage of
5 allotments for industrials compared to the relative
6 percentage of allotments for residential?

7 A. There was much greater, on a percentage
8 basis, space under the allotment for the residential
9 class than the industrial class.

10 Q. So the industrials were closer to being
11 filled than the residential?

12 A. Correct. At least that was my
13 recollection.

14 Q. Now, outside of the settlement
15 discussions, are you aware of any statements made by
16 AEP regarding the likelihood of whether any customer
17 class would be oversubscribed or nearly subscribed?

18 MR. PETRICOFF: Rachel, could I have that
19 question read back?

20 (Record read as requested.)

21 BY MR. KUTIK:

22 Q. I used the word "settlement." I
23 apologize. It should be, are you aware of AEP
24 making any statement, again outside the settlement

1 process, that certain customer classes were
2 oversubscribed or nearly subscribed.

3 A. You mean like public statements?

4 Q. Yes.

5 A. No, I'm not.

6 Q. Did you attend or listen to the webinar
7 that AEP conducted with Appendix C?

8 A. Unfortunately I was unable to participate
9 in that webinar.

10 Q. So you didn't see it live, and you haven't
11 seen it since?

12 A. No. I registered for it, but unfortunately
13 other matters prevented me from watching it live or
14 on tape.

15 Q. Have you seen any data since the signing
16 of the stipulation that would confirm or rebut the
17 conclusions that you just told me about in terms of
18 the commercial class being oversubscribed and the
19 industrial class being closer to being subscribed
20 than the residential class?

21 A. Yes. On this past Friday, I believe a
22 notification went out from AEP Ohio to CRES
23 providers registered on their system providing an
24 update on where the allotments stand based upon the

1 RPM, basically based upon Appendix C.

2 Q. And did that cause you to change your
3 conclusions at all?

4 A. ~~It~~ confirmed my conclusion regarding the
5 commercial class. And then the notifications as of
6 September 23rd, which was Friday, was to advise
7 parties that the industrial class RPM set-aside had
8 been fully subscribed.

9 Q. So it appeared that based upon the data
10 that AEP Ohio had regarding shopping, that the
11 commercial and industrial class set-asides would
12 already be taken?

13 A. It appears as of the September 23rd
14 notification that CRES providers received, that
15 those two classes are now fully subscribed as it
16 relates to the RPM price capacity.

17 Q. And would it be fair to say that the data
18 that AEP Ohio has reflects those customers who would
19 be in Group 1 or Group 2?

20 A. Yes.

21 MR. KUTIK: Okay. Let's go off the record.

22 (A short break was had.)

23 MR. KUTIK: Let's go back on the record.

24 BY MR. KUTIK:

1 Q. Does Constellation keep track of which
2 municipalities in Ohio have municipal aggregation
3 ordinances?

4 A. I know we follow that issue. I don't --
5 When you say "track," I'm not sure how mechanical
6 that is. But we try to stay abreast of those
7 matters, yes.

8 Q. Well, would it be fair to say that you
9 could not tell me what municipalities within AEP
10 Ohio have currently passed municipal aggregation
11 ordinances?

12 A. I could not tell you that, no.

13 Q. Could you tell me any?

14 A. No, not off the top of my head.

15 Q. Does Constellation have -- And by
16 "Constellation" I mean all, any of the companies
17 that you are involved with -- have any contracts
18 with any municipality in AEP Ohio pursuant to a
19 government aggregation contract or ordinance?

20 A. If we do, I am not aware of any contracts
21 that we have with any municipalities within the AEP
22 footprint for electric municipal aggregation.

23 Q. Have you reviewed such contracts that
24 municipalities might have with other CRES providers?

1 A. I don't believe I have.

2 Q. Would you view a contract between a CRES
3 provider and a municipality for government
4 aggregation to be a contract between those two ~~parties~~
5 parties on behalf of customers within that
6 municipality?

7 MR. PETRICOFF: I'm going to object.

8 You can answer, if you can, David.

9 BY THE WITNESS:

10 A. The question was, would I view a contract
11 between a CRES provider and municipality -- I'm
12 sorry. I lost the question.

13 Q. Sure.

14 MR. KUTIK: Rachel, could you read it, please?

15 (Record read as requested.)

16 BY THE WITNESS:

17 A. I would agree that's sort of the nature of
18 those types of arrangements, yes.

19 Q. Are you aware of any municipalities within
20 AEP Ohio that have municipal aggregation ordinances
21 up for consideration on the ballot this November?

22 A. I do not.

23 Q. Are you aware of whether there are any
24 such ordinances within AEP Ohio up for

1 consideration?

2 A. I am not aware if there are any.

3 Q. Are you aware of the process entailed once
4 ~~the election results -- well,~~ once the election
5 occurs?

6 A. I am generally familiar with sort of the
7 steps that then take place after a referendum is
8 considered and I guess a referendum is approved, I
9 should say.

10 Q. And are you generally familiar with the
11 time that those steps take?

12 A. Generally.

13 Q. Would it be fair to say that for any
14 municipality that had a municipal aggregation
15 ordinance on its ballot, that it would be likely
16 that any customers that might be signed up through
17 that process, assuming that the ballot or referendum
18 passes, could not be a group in Appendix C other
19 than Group 5?

20 A. I'm hesitating only because I'm trying to
21 figure out whether they could fall into Group 4. If
22 there would have been a way -- No, probably not. So
23 more likely than not, they'd be a Group 5 customer.

24 Q. Now, you're aware that one of the things

1 that is called for under the stipulation with
2 respect to the RPM set-asides is the development of
3 a detailed implementation plan, correct?

4 A. With respect to municipal aggregation?

5 Q. No. With respect to the RPM set-asides.

6 A. Oh, I'm sorry. Yes, that would be
7 Appendix C.

8 Q. And what is the process for the
9 development of that plan?

10 A. Well, the process for development of the
11 allocation, the set-aside plan?

12 Q. Well, you understood that there was going
13 to be developed a detailed implementation plan,
14 correct?

15 A. Yes. And the product of that is
16 essentially Appendix C and everything that's talked
17 about in Appendix C that's to be developed by the
18 company.

19 Q. And my question to you is: What is the
20 process for the development of that plan, do you
21 know?

22 A. Well, as far as the process, I think, you
23 know, a lot of the process is outlined in Appendix C
24 regarding the allotment system and process and

1 notifications and so forth as well as the
2 development of a so-called cap tracking system
3 that's to appear on the company's website and the
4 information, ~~the specific information that's to be~~
5 contained there.

6 Q. Well, you just told me about certain
7 things that are going to be in the detailed
8 implementation plan, and that wasn't my question.

9 My question really is more about the
10 process for developing the plan. What is the
11 process for developing the plan?

12 A. I think you've seen -- I guess that's what
13 I was trying to answer was you've seen most of that
14 already with respect to what is contained in
15 Appendix C as well as the other information that is
16 to be developed and presented on the company's
17 website.

18 Q. So there is still some -- There are still
19 some things that are going to be developed to be
20 part of this plan, correct?

21 A. Presumably, yes.

22 Q. And those things are going to be developed
23 by the company, correct?

24 A. Correct.

1 Q. Do you expect that you will have some
2 input with respect to these other things that are
3 going to be developed to be part of the plan?

~~4~~ A. ~~I would hope that they would seek~~ some
5 input from the CRES providers.

6 Q. Are they -- Go ahead.

7 A. Who would be, you know, affected by this
8 process.

9 Q. Is AEP Ohio required to do that?

10 A. I don't know if those specific words appear
11 in the stipulation, but I'd like to think that they
12 would work with the CRES providers on that based
13 upon the nature of the stipulation.

14 Q. So your answer is they may not be
15 required, but they should do it?

16 A. Yes.

17 Q. Does the stipulation require AEP Ohio to
18 have the plan reviewed by the Commission?

19 A. No.

20 Q. Should AEP Ohio do that -- that is, seek
21 Commission approval?

22 A. I don't know that it's necessary for formal
23 Commission approval, but would certainly welcome the
24 participation of the Commission staff and any

1 ongoing development or implementation of this
2 process.

3 Q. Now, there is a queue that is developed
4 under Appendix C, correct?

5 A. Correct.

6 Q. When does the queue begin?

7 A. The queue, I guess, essentially begins, if
8 you will, as the allotment is filled.

9 Q. So has the queue already begun?

10 A. Yes.

11 Q. Now, one of the things you mentioned that
12 was going to be developed as part of the detailed
13 implementation plan was a cap tracker mechanism,
14 correct?

15 A. Correct.

16 Q. What does that mean?

17 A. It means a system that would be publicly
18 available on their website that would provide a
19 running or ongoing status update regarding the
20 allotment, the cap number that it would show a
21 variety of information that appears on Page -- the
22 last page of Appendix C.

23 Q. And do you have any notion as to when that
24 cap tracker mechanism will be available?

1 A. I don't. I do believe that a form of it
2 appeared on their website on Friday. I personally
3 did not go to the website and view it myself but was
4 advised of that from one of ~~our~~ operational
5 personnel.

6 Q. That was, for lack of a better term, a
7 beta version?

8 A. I think so, yes.

9 Q. And was it made available for comment, or
10 why was it made available?

11 A. I do not believe that it was made available
12 for comment. I believe -- Well, I don't know. I'm
13 assuming that since a notification was sent out in
14 an email format to register CRES providers, that the
15 company may have determined they should update the
16 website as well with the same information.

17 Q. So this was just for informational
18 purposes as to what the cap tracker would look like?

19 A. When you say this ...

20 Q. What was made available on the website you
21 just mentioned?

22 A. Oh, like I said, I did not go view it
23 myself, so I'm not entirely certain. It's my
24 understanding that it included the information that

1 I mentioned previously about the current status of
2 enrollments and allotments for the various customer
3 classes.

4 ~~Beyond that, I cannot tell you what is~~
5 there on their website.

6 Q. So at this point in time, you don't know
7 whether AEP Ohio has developed a web-based cap
8 tracker mechanism that it intends to use as part of
9 the implementation of the specification?

10 A. I don't know specifically. I am guessing,
11 and I'll take your word for it, that maybe what
12 appeared was a beta version, maybe it was the final
13 version -- I just don't know -- that had this
14 information that was made available on Friday on the
15 website.

16 Q. Do you have any information as to when the
17 cap tracker mechanism that will be available on the
18 web will be up and running?

19 A. I do not possess that information.

20 Q. Do you have any information as to whether
21 AEP intends to keep track of the cap, so to speak,
22 before they put the cap tracker information up on
23 the web?

24 A. I'm sorry. Can you say that one more time.

1 MR. KUTIK: Sure. Rachel could you read it,
2 please?

3 (Record read as requested.)

4 ~~BY THE WITNESS:~~

5 A. I don't.

6 Q. Now, one of the things that the Appendix C
7 requires for a customer potentially to be put into
8 the queue is an affidavit, correct?

9 A. Correct.

10 Q. And just to be clear, the affidavit is one
11 of several things that could get a customer in the
12 queue, correct?

13 A. Correct.

14 Q. Now, with respect to an affidavit, would a
15 handshake deal be sufficient for a CRES provider to
16 supply customer information via an affidavit?

17 A. Pursuant to Appendix C, what's mentioned
18 here is that the CRES provider is submitting an
19 affidavit to AEP Ohio regarding the existence of a
20 validly executed contract.

21 Q. So is the answer to my question yes or no?

22 A. As you say, a handshake deal?

23 Q. Yes.

24 A. If that's considered a validly executed

1 contract, I guess so.

2 Q. Would you?

3 A. Yeah, I haven't taken contracts law in a
4 while. But yeah, I don't know if that's considered
5 a validly executed contract. Obviously it's not a
6 defined term in the Appendix C, of course.

7 Q. So you don't have a view as to whether a
8 handshake deal would be sufficient to be included in
9 an affidavit that would be submitted under
10 Appendix C?

11 A. I guess a couple points there, if I could.
12 At least as of when I left the office at 7:30 this
13 morning, I had not seen an approved form of
14 affidavit that the company is accepting, so I don't
15 know if there is a template for that and whether
16 there are any words in that affidavit that maybe
17 address your point.

18 Two, you know, I believe in practice on how
19 a similar mechanism has worked is that in order to
20 submit that affidavit, there should be a fully
21 executed contract, meaning signatures on a contract
22 as opposed to a handshake.

23 Q. So if AEP asked you whether a handshake
24 deal is good enough to be included in the affidavit,

1 would your answer be no?

2 A. I think Constellation's view would be no.

3 Q. Now, you said in answering two answers ago
4 that there were ~~similar~~ situations that would
5 require, I think you said, a written contract,
6 correct?

7 A. Yeah. The concept behind the affidavit --
8 the affidavit concept was something that if you're
9 familiar with this, I'm sure your client is, that
10 Duke Energy Ohio has used for a number of years
11 regarding shopping customers signing an affidavit in
12 order to have certain charges made bypassable if
13 they agree when they return to the company that they
14 could come to some market-based rate as opposed to
15 the SSO.

16 So that was sort of the concept that at
17 least was in mind, I think, as that was drafted.
18 But, again, like I indicated earlier, I have not
19 seen the evidence to date to see what words might be
20 in there to really address this issue.

21 Q. So when you were referring before to
22 similar situations, you were referring to affidavits
23 that Duke requires in Ohio?

24 A. Yes. I believe that was a product of --

1 Well, it certainly was their last ESP. It was
2 updated, and I think it had been in existence well
3 before that ESP.

4 Q. Let me ask you another question about
5 affidavits.

6 Assume that the CRES provider enters into
7 a contract with a customer that is contingent upon
8 the customer actually getting the RPM price, would
9 that contract be sufficient to submit through an
10 affidavit?

11 A. I would think so.

12 Q. Now, in terms of the 90-day notice, the
13 90-day notice is still required through the end of
14 this year, correct?

15 A. Correct.

16 Q. If a customer provided a 90-day notice in
17 November, do they have to wait until February to get
18 in the queue.

19 A. I don't think so, but it's a practical
20 question.

21 Q. So your view would be that they could get
22 in the queue as early as January 1st even though
23 they did not give the full 90-day notice?

24 A. Right. I would agree with that.

1 Q. We talked before about Group 3 customers,
2 correct?

3 A. Yes, uh-huh.

4 Q. ~~And~~ Group 3 customers are customers that
5 wish to expand their load, correct?

6 A. Yes.

7 Q. What information will a Group 3 customer
8 or a potential Group 3 customer have to provide?

9 A. That I don't know.

10 Q. Do you know whether -- or would it be
11 Constellation's view that any information that was
12 provided by a Group 3 customer should be confirmed
13 or validated?

14 A. Yes, I think that would be prudent.

15 Q. If there is a shopping customer who has
16 been shopping prior to July of this year and in
17 January of next year that customer moves, does that
18 customer retain its allotment?

19 A. Yes. Yes, they do.

20 Q. The stipulation does provide that AEP is
21 to form certain advisory groups, correct?

22 A. Yes, I believe so.

23 Q. Is AEP required under the stipulation to
24 follow the recommendation of any of those groups?

1 A. I don't recall offhand.

2 Q. Now, one of the things that the
3 stipulation deals with is corporate separation,
4 correct?

5 A. Yes, it does.

6 Q. And that AEP Ohio is required to separate
7 its generation operations except perhaps for Turning
8 Point 2 and MR6, correct?

9 A. Correct.

10 Q. Other than that detail, has AEP provided,
11 as far as you know, any other details as to how that
12 process will work?

13 A. You know, other than what appears in
14 Appendix B, as far as certain time lines, no.

15 Q. Is it your view that -- Well, I'll back
16 up.

17 Is it your understanding that one of the
18 things that AEP Ohio will have to do is set up an
19 entity to own and to operate its generation?

20 A. The generation that they're separating.

21 Q. So the answer is yes, the generation that
22 they're separating?

23 A. That's my understanding of what they plan
24 to do, yes.

1 Q. And so let's call that, that new entity,
2 the genco, right?

3 A. Uh-huh.

4 ~~Q.~~ Q. Does that genco, is that genco required to
5 offer all of the generation that it owns and
6 operates into the RPM auction?

7 A. That's my understanding.

8 Q. Let me have you refer now to your
9 stipulation testimony.

10 A. Okay.

11 Q. And particularly Page 8.

12 A. Okay.

13 Q. I'm sorry. I meant your direct testimony.

14 A. Also Page 8?

15 Q. Yes.

16 A. Okay. All right.

17 Q. I'm sorry. I had the wrong page, though.

18 Let me have you turn back to your stipulation
19 testimony. I was wrong.

20 A. Okay.

21 Q. The first word on Page 8 is penalties,
22 correct?

23 A. Yes.

24 Q. And there in your stipulation testimony,

1 you're discussing penalties if certain milestones
2 are not met, correct?

3 A. Correct.

4 Q. These are ~~milestones~~ relating to corporate
5 separation, correct?

6 A. Yes. As well as the -- I was going to say
7 as well as the pool dissolution amendment.

8 Q. What penalties exist under the stipulation
9 if those are not met?

10 A. There are -- There are penalties in the
11 form of what any of the signatory parties can do
12 before the Commission. There are provisions
13 regarding acceleration of auctions. Those all
14 appear in the stipulation.

15 Q. Okay. Well, you said that there are
16 penalties with respect to what certain parties can
17 do before the Commission. What do you mean by that?

18 A. Well, the parties are provided with the
19 ability to file a pleading with the Commission. And
20 actually the Commission has the ability to open a
21 proceeding to determine whether the company has, you
22 know, unduly delayed progress in these proceedings.

23 Q. And does the stipulation provide what's to
24 happen if the companies are found to have unduly

1 delayed the process?

2 A. The Commission would have, I believe,
3 pretty broad discretion to take action against AEP
4 Ohio.

5 Q. Is there anything specifically set out in
6 the stipulation as to what penalty AEP would have to
7 bear if the Commission found that AEP had had unduly
8 delayed the process?

9 A. There is not a specific remedy there, no.

10 Q. Another thing you said was that one of the
11 penalties with respect to corporate separation would
12 be an acceleration of auctions, correct?

13 A. Yes.

14 Q. What did you mean by that?

15 A. That the -- That there would be some
16 ability to potentially change the dates for those
17 auctions if these items are not completed.

18 Q. Would the date for the delivery of power
19 under those auctions change?

20 A. I don't believe so.

21 Q. Now, is it correct that at least based
22 upon your understanding, Ohio law requires AEP to
23 separate its generation, generating operations,
24 generation operations from its transition and

1 distribution operations, correct?

2 A. That's correct.

3 Q. And is there anything in the stipulation
4 that provides ~~any~~ additional requirement for AEP in
5 terms of corporate separation other than it's
6 already required to do under Ohio law?

7 A. Not specifically, no.

8 MR. KUTIK: Let's go off the record.

9 (Brief pause.)

10 MR. KUTIK: Let's go back on the record.

11 BY MR. KUTIK:

12 Q. Mr. Fein, now referring again to your
13 stipulation testimony, are you aware of any
14 additions or corrections that you wish to make to
15 that testimony?

16 A. No, I'm not.

17 MR. KUTIK: That is all the questions I have.

18 Does anyone else on the phone have any
19 questions? Hearing none, as you know, Mr. Fein, as
20 part of the deposition process, you have the right
21 to review the deposition transcript and request any
22 transcription errors. You also have the ability to
23 waive the right.

24 Can you indicate or your counsel can

1 indicate on the record whether you wish to read the
2 transcript or whether you wish to waive that right?

3 MR. PETRICOFF: We wish to -- Excuse me. We
4 wish to read and review.

5 MR. KUTIK: Thank you. And so we are
6 concluded.

7 (Witness excused.)

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the)
Application of Ohio Power) Case No.
Company ~~and~~ Columbus Southern) 10-2376-EL-UNC,
Power Company for Authority) et al.
to Merge and Related)
Approvals, et al.)

I, DAVID FEIN, state that I have read the
foregoing transcript of the testimony given by me at
my deposition on the 29th day of September, A.D.,
2011, and that said transcript constitutes a true
and correct record of the testimony given by me at
the said deposition except as I have so indicated on
the errata sheets provided herein.

DAVID FEIN

SUBSCRIBED AND SWORN to
before me this _____ day
of _____, 2011.

NOTARY PUBLIC

1 STATE OF ILLINOIS)
) SS:
2 COUNTY OF C O O K)

3

4 I, RACHEL F. GARD, ~~RPB~~ CIR, a
5 Certified Shorthand Reporter within and for
6 the State of Illinois, do hereby certify:

7 That previous to the commencement
8 of the examination of the witness, the
9 witness was duly sworn to testify the whole
10 truth concerning the matters herein;

11 That the foregoing deposition was
12 reported stenographically by me, was
13 thereafter reduced to a printed transcript
14 by me, and constitutes a true record of the
15 testimony given and the proceedings had;

16 That the said deposition was taken
17 before me at the time and place specified;

18 That the reading and signing by
19 the witness of the deposition transcript
20 was agreed upon as stated herein;

21 That I am not a relative or
22 employee or attorney or counsel, nor a
23 relative or employee of such attorney or
24 counsel for any of the parties hereto, nor
25 interested directly or indirectly in the
26 outcome of this action.

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Rachel F. Gard
Certified Shorthand Reporter
State of Illinois
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