

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 :
Curtailement Service :
Riders. :

In the Matter of the :
Application of Ohio Power :
Company to Amend its : Case No. 10-344-EL-ATA
Emergency Curtailement :
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 In the Matter of the :
Application of Columbus :
2 Southern Power Company for:
Approval of a Mechanism to: Case No. 11-4920-EL-RDR
3 Recover Deferred Fuel :
Costs Ordered Under Ohio :
4 Revised Code 4928.144. :
:

5 In the Matter of the :
Application of Ohio Power :
6 Company for Approval of a :
Mechanism to Recover : Case No. 11-4921-EL-RDR
7 Deferred Fuel Costs :
Ordered Under Ohio Revised:
8 Code 4928.144. :
:

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10 PROCEEDINGS

11 before Ms. Greta See and Mr. Jonathan Tauber,
12 Attorney Examiners, at the Public Utilities
13 Commission of Ohio, 180 East Broad Street, Room 11-A,
14 Columbus, Ohio, called at 9 a.m. on Thursday,
15 October 6, 2011.

16 - - -

17 VOLUME III

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1 Thursday Morning Session,
2 October 6, 2011.

3 - - -

4 EXAMINER TAUBER: Let's go on the record.
5 This is the third day of the continuation of Case No.
6 11-3346-EL-SSO, et al. At this point in time we are
7 just going to do abbreviated appearances of the
8 parties just to let the record reflect who is in
9 attendance this morning and we are starting again
10 with the companies and just work our way around the
11 room.

12 MR. NOURSE: Thank you, your Honor, on
13 behalf of the Southern Ohio Power Company, Steven T.
14 Nourse, Matthew G. Satterwhite, and Daniel R. Conway.

15 MR. ETTER: Thank you, your Honor. On
16 behalf of Ohio residential utility customers, the
17 Office of the Ohio Consumers' Counsel, Terry L. Etter
18 and Maureen R. Grady.

19 MR. HAYDEN: Good morning, your Honor, on
20 behalf of the FES, Mark Hayden and David Kutik.

21 MR. POULOS: Good morning. On behalf of
22 the EnerNOC, Gregg Poulos.

23 MR. DARR: On behalf of IEU, Frank Darr
24 and Joe Olikier on behalf of Ormet Primary Aluminum
25 Company, Emma F. Hand.

1 MR. K. BOEHM: Good morning. On behalf
2 of OEG, Kurt Boehm.

3 MR. O'BRIEN: On behalf of the Ohio
4 Hospital Association, Rick Sites and Tom O'Brien.

5 MR. JONES: On behalf of the Staff,
6 Steven Beeler and John Jones.

7 MR. YURICK: On behalf of the Kroger
8 Company, Mark Yurick, John Bentine, and Zachary
9 Kravitz.

10 MS. McALISTER: On behalf of OMA Energy
11 Group, Lisa McAlister and Matt Warnock.

12 MR. MONTGOMERY: Paulding Wind Farm, LLC,
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14 MS. KALEPS-CLARK: On behalf of the
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16 Direct Energy, Howard Petricoff and Lija Kaleps-Clark
17 and RESA and Cable Telecommunications Association,
18 Lija Kaleps-Clark and Benita Kahn.

19 EXAMINER SEE: What was the last party?

20 MS. KALEPS-CLARK: CTA.

21 EXAMINER SEE: 1034, the merger case.

22 EXAMINER TAUBER: Are there any other
23 parties we missed?

24 Thank you all.

25 If we could also try to speak up a little

1 bit too. I know the room is a little bit -- not the
2 best acoustics. I think it's a smaller crowd. If we
3 just speak up, we could proceed.

4 Mr. Poulos, I understand we have a
5 preliminary issue this morning

6 MR. POULIS: Yes, your Honor, thank you.
7 It's my understanding no one has cross-examination
8 for EnerNOC Witness Mr. Ken Schisler, and his
9 testimony was filed on September 13 and I -- it has
10 previously been marked as EnerNOC Exhibit 1. And at
11 this point I would like to move it into the record.

12 I did e-mail all the parties yesterday as
13 well. I understand the Bench has asked if there was
14 any cross-examination but just to know, I did e-mail
15 parties and asked if anyone had cross-examination. I
16 received no response.

17 EXAMINER TAUBER: Thank you.

18 EXAMINER SEE: The exhibit is so marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 EXAMINER SEE: Are there any objections
21 to the admission of EnerNOC Exhibit 1?

22 MR. NOURSE: No.

23 EXAMINER SEE: Hearing none, EnerNOC 1
24 testimony of Kenneth D. Schisler is admitted into the
25 record.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 MR. POULOS: Thank you, your Honor.

3 EXAMINER SEE: And Mr. Baron.

4 MR. K. BOEHM: Thank you, your Honor.

5 - - -

6 STEPHEN J. BARON

7 being first duly sworn, as prescribed by law, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 By Mr. K. Boehm:

11 Q. Good morning, Mr. Baron.

12 A. Good morning.

13 Q. Would you please state your name and
14 business address for the record.

15 A. Yes. Stephen J. Baron, and my business
16 address is J. Kennedy and Associates, Inc., 570
17 Colonial Park Drive, Suite 305, Roswell, Georgia.

18 Q. And who -- by whom are you employed?

19 A. J. Kennedy and Associates.

20 Q. Did you file testimony in support of the
21 Stipulation and Recommendation on behalf of the Ohio
22 Energy Group?

23 A. Yes, I did.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. The testimony is marked as OEG 1. Do you

1 have that testimony in front of you?

2 A. Yes.

3 Q. Do you have any changes to that
4 testimony?

5 A. Yes. I just have one correction. On
6 page 9 at line 7 the sentence that says "They are
7 100 percent revenue neutral to the Companies."
8 Before the period should be inserted ", except in
9 2012."

10 EXAMINER SEE: I'm sorry, Mr. Baron.
11 Could you repeat that, please?

12 THE WITNESS: Yes. Page 9, line 7, in
13 the sentence that says "They are 100 percent revenue
14 neutral to the Companies," before the period should
15 be inserted the clause ", except in 2012."

16 MR. CONWAY: Your Honor, could I have a
17 description of exactly where in the testimony it is
18 beyond just the?

19 Thank you, I've got it. Never mind.

20 EXAMINER SEE: And if you could cut the
21 microphone on.

22 THE WITNESS: I'm sorry?

23 EXAMINER SEE: Cut the microphone on,
24 please.

25 THE WITNESS: Oh.

1 A. And that's the only correction to my
2 knowledge.

3 Q. Thank you. If I asked you the same
4 questions today that appear in your testimony, would
5 your answers be the same?

6 A. Yes.

7 MR. K. BOEHM: Mr. Baron is tendered for
8 cross-examination.

9 EXAMINER TAUBER: Thank you. We'll just
10 start going around the room.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Etter:

14 Q. Good morning, Mr. Baron.

15 A. Good morning.

16 Q. My name is Terry Etter, and I am with the
17 OCC.

18 In your testimony you mentioned that you
19 reviewed the entire stipulation, but it doesn't
20 specify any other documents that you may have
21 reviewed in preparing your testimony. Did you review
22 any other documents other than the stipulation?

23 A. The -- of course, I participated in the
24 case and so I -- I had previously reviewed numerous
25 documents. I previously submitted direct testimony

1 actually.

2 Specifically for the stipulation I -- I
3 don't recall -- I think I did review some orders.
4 And I'm trying to recall what else I might have -- it
5 was pretty hectic in terms of trying to get it --
6 everything developed, so. I don't recall any
7 specific documents in -- for the purpose of preparing
8 my testimony.

9 Q. Did you have any access to the testimony
10 or exhibits that AEP was planning to file in support
11 of the stipulation?

12 A. No. But actually I do now recall I did
13 receive some information from counsel at -- OEG
14 counsel that was prepared by AEP that provided a
15 calculation of the impact of the load factor
16 provision demand -- excuse me, the load factor
17 provision energy charge if Ormet were included, so I
18 did have that information.

19 Q. But nothing else?

20 A. Not that I can recall. I think I may
21 have seen some supporting information which I believe
22 I have a copy of for the kilowatt hour sales for the
23 FirstEnergy companies that I cited, I think, in my
24 testimony, but I did not have any other -- I think in
25 answer to your prior question, I did not receive any

1 information from AEP as to what their testimony was.

2 Q. And how about from any of the other
3 parties -- signatory parties to the stipulation? Did
4 you receive any -- have any access to any of their
5 documents, to any of their testimony or exhibits that
6 they were planning to file?

7 A. No.

8 Q. And in your review of the stipulation,
9 did you focus on any specific areas?

10 A. Well, I reviewed -- I did review the -- I
11 read the stipulation, and so I guess I read the
12 entirety of the stipulation, but probably the most
13 important focus was on the specific rate design
14 provisions and the impact on -- on the capacity
15 charges to CRES providers in terms of the set-aside
16 on the RPM.

17 Q. Now, on -- in your testimony you state
18 that the more favorable in the aggregate test is both
19 quantitative and qualitative. It's equally
20 quantitative and qualitative based on judgment.
21 What's quantitative about it?

22 A. Well, I think the quantitative aspect of
23 it is similar to the types of evidence that have been
24 submitted in this case initially by the -- by AEP.
25 In some of the other proceedings I have been in,

1 FirstEnergy proceedings, their ESP case, if I recall,
2 and really the prior AEP case, I guess, from 2009
3 the -- basically a quantitative analysis of the
4 year-by-year differences between an MRO and the
5 proposed ESP. That's -- that tends to be the
6 principle basis for quantification.

7 Q. And that would be focused on rates, on
8 dollar figures? What exactly would that be based on?

9 A. Yes, that would be basically the rates
10 that customers would pay under the ESP versus an MRO
11 for the same company.

12 Q. And what would be qualitative about the
13 test?

14 A. Let me step back one additional step. I
15 know in this case as I read the testimony of AEP that
16 they have also -- the company has also made other
17 quantifications of additional benefits associated
18 with the proposed stipulation that go beyond just the
19 specific ESP rate versus an MRO rate.

20 But in answer to your question, the
21 qualitative benefits would include some of the issues
22 that are important to OEG, for example, some of the
23 rate design aspects and the reduction and uncertainty
24 in terms of the future rates at least during the term
25 of the ESP that would prevail in trying to provide

1 some stability. Those are less quantifiable.

2 It's difficult to assess the economic
3 impact on a customer -- a large manufacturing
4 customer of the benefit of rate stability, but based
5 on my experience there clearly are economic benefits
6 from that.

7 Q. Which is more subjective of that
8 analysis? Is it the quantitative part or qualitative
9 part?

10 A. Well, I think by definition the
11 qualitative part is more subjective, though obviously
12 in any economic analysis that requires projections of
13 future outcomes, there's -- there's -- there's
14 potential for -- certainly for disagreements and I
15 guess one party would say it's a reasonable forecast
16 and another would say it's not. And so you could
17 characterize that as subjective as well.

18 Q. And you haven't done a quantitative
19 analysis of the stipulation so far?

20 A. No, I have not.

21 Q. And why is that?

22 A. Well, at the time -- now, are you talking
23 about prior to my developing my testimony?

24 Q. Well, in your testimony you state that
25 you haven't done a quantitative analysis.

1 A. Right.

2 Q. And why did you not do a quantitative
3 analysis for your testimony?

4 A. I -- I was -- I was not asked to do it.
5 OEG was a signatory of the stipulation and believed
6 based on my understanding that the -- that the
7 overall stipulation produced an ESP that was more --
8 an ESP that was more favorable than an MRO. In
9 addition to that, I simply didn't have the time even
10 if I was asked to do it.

11 Q. So since you haven't done a quantitative
12 analysis of the stipulation, are you sure that -- how
13 the rates would compare with the application's rates
14 or even the current rates that AEP customers are
15 paying?

16 A. I've looked at the -- I've had -- I had
17 conversations with OEG counsel regarding some of the
18 impacts of the -- of various proposals and so I felt
19 confident that -- that the stipulation ESP -- the ESP
20 that would be produced by the stipulation would
21 provide -- was more favorable than an MRO, but I did
22 not do an economic analysis.

23 Q. And is it fair to say that your analysis
24 of the more favorable in the aggregate test is based
25 solely on the fact that the PUCO maintains some

1 jurisdiction over any generation rate design in
2 economic development?

3 A. Is your question that that is the only
4 reason for my conclusion or is that one of the
5 reasons? Because it is one of the benefits that we
6 view that the stipulation ESP provides benefits that
7 are superior to an MRO. But it's not the only
8 reason. Maybe I misunderstood your question.

9 Q. Well, you state in your testimony that an
10 ESP is inherently better than an MRO. And you state
11 specifically because of the PUCO jurisdiction issue.

12 A. Yes. As -- that was really as a general
13 matter. And that has been my position in a number of
14 cases that an ESP provides the Commission greater
15 flexibility to address issues that are important to
16 utilities' customers and, therefore, the customers,
17 citizens of Ohio. It provides more flexibility as
18 opposed to an MRO that eventually would produce pure
19 market prices for all rates.

20 Q. So what in your opinion would it take for
21 an ESP to not be better than an MRO?

22 A. Oh, it could easily not be better if the
23 prices -- if the expected charges and other aspects
24 of the ESP were less favorable to customers than an
25 MRO. In the first instance I would expect that the

1 quantitative analysis based on reasonable projections
2 or expectations would be one step. And obviously
3 there could be other provisions that -- that could be
4 detrimental as well.

5 I think it's important though that the
6 ESP be view -- the proposal the stipulation which
7 really governs the entirety of the ESP has to be
8 viewed in all its respects as compared to an MRO. I
9 mean that in this particular case I support the
10 stipulation and OEG supports the stipulation and the
11 statement in the stipulation that the ESP is more
12 favorable than an MRO.

13 Q. But without a quantitative analysis; is
14 that right?

15 A. Yes. I think we discussed that, yes.

16 Q. Now, on page 9 of your testimony at the
17 very top, you state a dollar figure for credits to
18 residential customers under the proposed market
19 transition rider in the stipulation. Those figures
20 don't seem to appear anywhere in the stipulation.
21 How did you derive those figures?

22 A. I -- I did a calculation of the MTR
23 factors each year that are included in the
24 stipulation and I guess as Appendix A and I simply
25 multiplied those times the megawatt hour sales that

1 were -- that I had available from the companies'
2 filing in this case, and when I say "this case," I
3 mean the original ESP filing.

4 Q. And do you know if those credits are
5 offset by rate increases to residential customers?

6 A. That will otherwise -- that are going to
7 occur as a result of the ESP?

8 Q. Yes, yes.

9 A. No. These are the im -- these values are
10 the impact of the MTR on residential customers. In
11 other words, this is the offset to what otherwise --
12 to the otherwise applicable increases that would
13 occur in the generation charge or any other charge.

14 Q. Does AEP currently have a market
15 transition required in its tariffs?

16 A. Not that I recall.

17 Q. And on page 2 of your testimony you state
18 that OEG's -- OEG supports the divestiture of AEP
19 Ohio existing generation assets but only if the
20 stipulation is approved without material
21 modification.

22 A. Yes.

23 Q. What would OEG consider to be a material
24 modification?

25 A. Well, I don't know that I could answer

1 that myself. I can give you what Steve Baron would
2 view material modification to be and it would -- in
3 general would be a change in the economic calculus of
4 the ESP.

5 In other words, the impacts of various
6 rate provisions, the generation rate, the MTR, the
7 load factor provision, the interruptible provision,
8 all of the provisions in the -- in the stipulation
9 ESP that impact OEG members. But I can't answer that
10 for OEG.

11 MR. ETTER: I have no further questions.
12 Thank you, Mr. Baron.

13 EXAMINER TAUBER: Thank you.
14 FirstEnergy.

15 MR. KUTIK: Thank you, your Honors.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Kutik:

19 Q. Good morning, Mr. Baron.

20 A. Good morning.

21 Q. You've testified on several occasions on
22 behalf of OEG, correct?

23 A. Yes.

24 Q. And you're familiar with that
25 organization, are you not?

1 A. Yes.

2 Q. But you don't know whether OEG has a
3 board?

4 A. That's correct.

5 Q. And you don't know whether OEG has some
6 officers.

7 A. That's correct. Though I do recall now
8 seeing some document or an e-mail referencing the
9 president of the OEG or the head chairperson of OEG,
10 so I assume, based on my experience, that there would
11 be some leadership positions. But I myself have not
12 seen any organization chart or any formal documents
13 and I have not actually -- I have never attended an
14 OEG meeting, for example.

15 Q. So if there were officers, you don't know
16 who they are?

17 A. I'm not -- I have never met any of them
18 personally.

19 Q. At least as officers.

20 A. Correct. That's right. I may have met
21 them and not known they were officers.

22 Q. You did not participate on behalf of OEG
23 in the negotiation that has led up to the stipulation
24 in this case, correct?

25 A. That's correct.

1 Q. And you did not have any discussions with
2 any members of OEG prior to the signing of the
3 stipulation, correct?

4 A. That is correct.

5 Q. And you have not had any discussions with
6 any members of OEG since the stipulation was signed,
7 at least up to the date of your deposition, correct?

8 A. That's correct.

9 Q. And so would it be fair to say that to
10 the extent that you are stating what the position of
11 OEG is in your testimony, that was informed based
12 upon what you were advised by counsel for OEG?

13 A. Yes, that is true.

14 Q. Now, as you stated in response to some
15 questions from Mr. Etter, you have a belief that as a
16 general matter, ESPs have inherent advantages over
17 MROs, correct?

18 A. Yes, for the reasons that I discussed.

19 Q. And you believe that one of the
20 fundamental aspects of Senate Bill 221 is that
21 customers should be able to choose the lowest price,
22 correct?

23 A. Yes.

24 Q. So that if there is a market price,
25 market-based price, that's lower than a cost-based

1 price a customer should be able to charge that price,
2 the lower price?

3 A. As a general matter, yes.

4 Q. Now, an ESP is not required to be cost
5 based, correct?

6 A. That's my understanding, yes.

7 Q. And, in fact, the base generation charge
8 that may be in an ESP is also not required to be cost
9 based?

10 A. That's my understanding, yes.

11 Q. And the base charge that's in the
12 stipulation in this case as far as you know is not
13 cost based.

14 A. That's correct.

15 Q. Now, with an ESP an EDU could have a
16 competitive bidding process, correct?

17 A. Yes, FirstEnergy has such a program.

18 Q. And where an ESP would be based on a
19 competitive bidding process it wouldn't be surprising
20 to see that shopping in that EDU's territory could be
21 fairly rigorous?

22 A. It -- well, I guess I wouldn't be
23 surprised. As a general matter, I would expect that
24 if the generation rate at least was based on a
25 competitive bidding process, that it would be to --

1 for the most part close to what market prices would
2 be, though there would be -- certainly in an ESP
3 there can be differences based on rate design or
4 other aspects.

5 Q. You are aware, I think as you said
6 earlier, that the FirstEnergy Ohio utilities procure
7 their SSO load through a competitive bidding process,
8 correct?

9 A. Yes, because they've re -- transferred
10 their generation assets out of the EDUs.

11 Q. And it would be fair to say you are not
12 necessarily familiar with the statistics on shopping
13 within FirstEnergy versus shopping in other EDUs'
14 territories in Ohio?

15 A. I have not looked at that information
16 recently.

17 Q. Now, you are aware, are you not, that in
18 the stipulation, there is a proposal for a rider
19 called GRR, correct?

20 A. Yes.

21 Q. And you don't know how the approval
22 process for GRR would work, correct?

23 A. That's correct. I have not -- I have not
24 seen -- certainly at the time of my deposition and
25 today I have not seen any or reviewed any specifics

1 regarding the mechanism for approving the potential
2 resource that would be subject to the GRR.

3 Q. So you don't know whether there would be
4 prospective review of costs or an after-the-fact
5 review of costs, correct?

6 A. That's correct, though I would expect
7 that if the -- if AEP Ohio were -- sought approval
8 for recovery of a resource in the GRR, that the
9 company would have to present economic evidence to
10 the Commission, would have the burden to establish
11 that this was a least cost reasonable prudent
12 investment for Ohio customers.

13 Q. You would expect that it would be prudent
14 for -- the EDU could come in to establish the
15 prudence of a facility under a rider like GRR before
16 they constructed it, correct?

17 A. Yes. I would expect that that -- I mean
18 my experience in regulation over the past many, many
19 years is that that would be the standard.

20 Q. Now, you mention in your testimony the
21 prospect of a 500-megawatt facility that would be
22 owned by AEP Ohio, correct?

23 A. Yes.

24 Q. And you were referring to the Muskingum
25 River 6 or the MR6 unit, correct?

1 A. Yes, I was, and that's my understanding
2 that that was the unit that's being discussed.

3 Q. So if AEP followed your advice and came
4 in to seek sort of preapproval of MR6 and the
5 Commission denied that approval, it is possible the
6 plant wouldn't be built and then owned by AEP Ohio,
7 correct?

8 A. I'm sorry, the last part "would not be
9 built"?

10 Q. Yes.

11 A. I assume if the Commission did not
12 approve it, then I assume, A, that it wouldn't be
13 recoverable under the GRR, and whether it would
14 actually -- whether the Commission could also --
15 whether the company would also be required to get a
16 certificate of convenience and necessity, I'm not
17 sure of the legal process of whether the company
18 could still go forward and build the unit or not.

19 Q. Well, if the approval of the project was
20 denied, you wouldn't expect that AEP would build the
21 project to have AEP Ohio to own it, correct?

22 A. Not -- not subject to anything other than
23 as a marketer, you know, a marketer, an independent
24 marketer effectively.

25 Q. Thank you. Now, AEP Ohio in this case

1 initially proposed a charge to CRES providers for
2 capacity at a rate of \$3.55 cents per megawatt day,
3 correct. \$355 per megawatt day, correct?

4 A. Yes, in the -- that was the -- I think
5 that's in the docket 10-2929.

6 Q. OEG took a position on that issue,
7 correct?

8 A. Yes, that's my recollection.

9 Q. And the position was RPM rates were an
10 appropriate basis for the capacity charge to CRES
11 providers?

12 A. Yes. I wasn't involved specifically in
13 that case, but I do recall reading some pleadings and
14 I think that's -- that sounds consistent.

15 Q. You did not undertake a study or analysis
16 of the affect of capacity prices at \$355 or \$255 per
17 megawatt day on shopping in the AEP Ohio territory,
18 correct?

19 A. That's correct.

20 Q. And you recognize under the stipulation
21 that the capacity that would be used to serve a
22 customer paying \$255 and the capacity for a customer
23 paying an RPM price would actually be the same;
24 there's no difference in that capacity, correct?

25 A. That would be my understanding. It's

1 a -- it's a reliability requirement that effectively
2 an LSC is required to meet under PJM and it's as long
3 as the capacity meets the PJM standard, it's
4 capacity.

5 Q. One of the things you reviewed as part of
6 the stipulation was Appendix C?

7 A. Yes.

8 Q. And the stipulation in Appendix C sets up
9 a priority as to who could receive RPM-based pricing
10 among shopping customers.

11 A. Yes, that's my recollection.

12 Q. And there's a group called Group 1,
13 correct?

14 A. Yes.

15 Q. And Group 1 has the highest priority,
16 correct?

17 A. Yes.

18 Q. And those are customers that have been
19 shopping as of July 1, 2010, correct?

20 A. My copy says July 1, 2011.

21 Q. Thank you. And there's another group,
22 Group 2, that comprises customers who were shopping
23 after July 1, 2011, but as of September 7, 2011,
24 correct?

25 A. Yes.

1 Q. And it would be fair to say you are not
2 aware of any basis other than the date that the
3 customer first took service for a CRES provider to
4 distinguish why Group 1 customers should receive a
5 higher priority than Group 2 customers, correct?

6 A. That's -- that's my -- yes, that would be
7 my understanding. Basically as I view this, this is
8 a stipulation among multiple parties, marketers,
9 customers many -- representing many participants in
10 this case and that it is the result of the
11 bargaining.

12 MR. KUTIK: May I have a minute, your
13 Honor?

14 EXAMINER TAUBER: You may.

15 MR. KUTIK: No further questions. Thank
16 you.

17 EXAMINER TAUBER: Thank you.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Olikar:

21 Q. Good afternoon, Mr. Baron.

22 A. Good morning.

23 Q. I guess it is the morning.

24 I noticed reading your testimony that you
25 use the term "retail electric service" in many parts

1 of your testimony. Did you have any particular
2 definition in mind of what "retail electric service"
3 means?

4 A. Would you be able -- is there a
5 microphone? I'm sorry, I am having a hard time
6 hearing. There is a lot of fan noise behind me.
7 Sorry.

8 Q. Is that better?

9 A. Yes, much better.

10 Q. In your testimony you use the word -- the
11 words "retail electric service" several times. Did
12 you have any particular meaning for those words in
13 mind in your testimony?

14 A. Nothing beyond what I would -- I mean, I
15 normally use that -- that phraseology in testimony in
16 basically referring to customers that are subject to
17 retail ratemaking of a regulatory jurisdiction.

18 Q. So I can assume you were not aware that's
19 a defined term under Ohio law?

20 A. Could you -- I don't -- I don't believe I
21 was referring to it that way, but is there a
22 particular reference you could cite me to in my
23 testimony?

24 Q. Do you know what that term means under
25 Ohio law?

1 A. No, I guess I don't.

2 Q. Okay. I think you previously said you
3 are familiar with the stipulation, or at least you
4 reviewed it; is that correct?

5 A. Yes.

6 Q. Are you aware that the stipulation
7 recommends approval of the pool termination
8 modification provision?

9 A. Yes.

10 MR. OLIKER: Your Honor, I would like to
11 mark IEU-Ohio Exhibit 1, which is OEG's response to
12 IEU-Ohio's request for admission, fourth set. Can I
13 approach, please?

14 EXAMINER SEE: Can the Bench get a copy?
15 Mr. Oliker, are you marking that as IEU Exhibit 1?

16 MR. OLIKER: IEU Exhibit 1.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Mr. Baron, did you review any of the
19 responses to interrogatories before today?

20 A. Review the responses that OEG submitted?

21 Q. Yes.

22 A. I believe so, yes.

23 Q. And did you also file testimony in this
24 case prior to the stipulation testimony?

25 A. Yes. I filed direct testimony.

1 Q. Could you please look at No. 4-2 in the
2 IEU Exhibit 1 that I just handed to you.

3 A. All right. Let me find that. Wait.
4 This is IEU?

5 Q. The exhibit I just handed to you.

6 A. You didn't hand me.

7 Q. Oh.

8 A. I was wondering about that.

9 Q. My apology, Mr. Baron.
10 Have you found 4-2?

11 A. Yes. Let me read it.

12 Q. Could you read it out loud, please.

13 A. Can I read it to myself, first?

14 Q. Sure.

15 A. Okay, I have read it. Do you want me to
16 read it out loud now?

17 Q. Could you read it out load?

18 MR. NOURSE: Your Honor, I object, these
19 admissions are prepared by counsel. There is no
20 indication that Mr. Baron was involved or has any
21 support for these discovery requests.

22 MR. OLIKER: This is Mr. Baron's prefiled
23 testimony and this is just an admission this is true
24 and accurate. It's relevant to this -- to the pool
25 termination modification provision and it can be used

1 against a party for which it has been admitted by
2 under the Commission rules.

3 MR. NOURSE: Your Honor, I would just
4 suggest it's going to be stipulated by counsel. It's
5 a counsel response. It's not Mr. Baron's legal
6 opinion.

7 MR. K. BOEHM: I'll concur with
8 Mr. Nourse on that point.

9 MR. KUTIK: Your Honor, may I be heard?

10 EXAMINER SEE: I am not even sure. Hold
11 on just a second, okay?

12 Mr. Kutik, go ahead.

13 MR. KUTIK: Yes, your Honor. First under
14 the Rules of Evidence, request for admissions are
15 admissible, and so they are admissible on their own
16 weight whether the witness reads it or not, so it's
17 admissible.

18 No. 2, it obviously relates to a prior
19 witness of this statement and it's obviously subject
20 to grounds for cross-examination of potential
21 impeachment.

22 MR. NOURSE: Your Honor, all I suggested
23 was stipulating if it's an admission. It's not
24 something prepared by -- or it's a legal conclusion
25 that counsel provided, not a legal conclusion

1 Mr. Baron is providing.

2 EXAMINER SEE: I believe that --
3 Mr. Baron, were you involved in the preparation of
4 the responses?

5 THE WITNESS: I think I -- these I may
6 have -- I certainly have reviewed them. Counsel
7 actually prepared these responses. They were -- they
8 were more or less straight -- they were asking for
9 admissions of this one, my prior testimony, but I did
10 not prepare this per se.

11 EXAMINER SEE: If -- go ahead.

12 MR. DARR: Go ahead, your Honor.

13 MR. OLIKER: Your Honor, we would just
14 say this matter has been admitted by the party and he
15 has testified what the benefits are in the
16 stipulation and we would like to impeach him on that
17 statement.

18 EXAMINER SEE: I'll allow it. Did you
19 have a question? What was the question you had for
20 Mr. Baron?

21 MR. KUTIK: I believe he was asking him
22 to read it.

23 MR. OLIKER: I was asking him to read 4-2
24 in its entirety.

25 MR. POULOS: Out loud.

1 EXAMINER SEE: And I think he has read
2 it.

3 MR. OLIKER: Out loud, please, for the
4 record.

5 EXAMINER SEE: Go ahead.

6 A. "Admit that Stephen Baron states on page
7 3, line 27, of his prefiled testimony, dated July 25,
8 2011, stated 'The recent Supreme Court of Ohio
9 decision (In re Application of Columbus Southern
10 Power Company, Slip Opinion No. 2011-Ohio-1788,
11 decided April 19, 2011) found that only specifically
12 listed items (i.e., rate recovery mechanisms) that
13 are identified in Section 4928.143(B)(2) are
14 permitted to be recovered in an ESP. Based on this
15 decision, there is no basis for the Commission to
16 approve cost recovery from customers by AEP for the
17 following newly proposed riders: Pool Termination
18 Rider, Facility Closure Rider, Carbon Capture Rider,
19 and NERC Compliance Rider."

20 Q. Thank you, Mr. Baron. Moving on to
21 another part of your testimony, you make reference to
22 a cost-based hedge. Is that reference based upon
23 your understanding of Ohio law and what it permits in
24 an ESP?

25 MR. K. BOEHM: Excuse me, can you provide

1 the page number and line number for that?

2 MR. OLIKER: I think it's page 5. Sorry,
3 that's page 4 at the top.

4 A. Okay. I see that.

5 Q. And also on page 12.

6 A. Okay.

7 Q. Is this your understanding of something
8 the Commission can do based on Section
9 4928.143(B) (2) (c)?

10 A. I -- no. The purpose -- I have -- I am
11 not really offering legal -- legal opinion in this
12 statement. Rather what I'm stating is that having a
13 cost-based generation resource that would be
14 available to compliment market-based rates would
15 provide, all else being equal, an economic hedge, and
16 in the long run that would tend -- I would view that
17 as a potential benefit of -- of that type of
18 arrangement.

19 Now, I -- if you -- I have seen -- I know
20 there are provisions in the statute that do address
21 resources that would be available to serve Ohio
22 customers. I haven't reviewed that in the last
23 couple of weeks but I can review, if you would like.
24 But I am not offering a legal opinion in this
25 statement.

1 Q. I guess what I am getting at is there's
2 more than one way to define "cost-based rate," and --
3 it has been described in many ways and implemented in
4 many ways throughout history; isn't that true?

5 A. I certainly would agree that based on my
6 experience there are -- there have been many disputes
7 as to what constitute a cost-based rate.

8 Q. So one way would be to establish a
9 revenue requirement and allow for rate of return of
10 net plain service plus expense?

11 A. That's -- that's a traditional revenue
12 requirement framework for a cost-based rate.

13 Q. And it's your understanding that this is
14 the way that a rate was designed prior to Senate Bill
15 3; is that correct?

16 A. Yes.

17 Q. Are you familiar with the term
18 "reproduction cost new less depreciation"?

19 A. Yes.

20 Q. Can you describe how rates would be made
21 under this methodology?

22 A. My recollection is that -- I'm trying to
23 remember the jurisdiction where I had experienced
24 that. Basically there's a calculation of the -- of
25 all of the assets that are used and useful for the

1 provision of regulated electric utility service.

2 There's a calculation of the cost of
3 those assets, the investment costs essentially in
4 current dollars, in other words, what it would cost
5 to purchase those assets in a current period as
6 opposed to reflecting the historical basis on a
7 utility's accounting records, and using that as the
8 investment cost calculation is made of the revenue
9 requirement and used as part of the ratemaking
10 process.

11 Q. Do you know if Ohio has ever established
12 rates using that methodology?

13 A. I -- I don't recall. I have a
14 recollection that I -- that that was used in Kentucky
15 in my experience, but I don't recall in Ohio.

16 Q. Are you familiar with the term "gross
17 plant levelized methodology"?

18 A. I am not familiar with it as a formal
19 mechanism. I have -- just listening to the words I
20 certainly can envision what it might -- the type of
21 calculation that it might involve, but as a sort --
22 as a ratemaking mechanism, I don't have a
23 recollection of that.

24 Q. Okay. So it's safe to assume using any
25 of these various methodologies customers could end up

1 paying a different rate?

2 A. If you're positive that those are
3 alternative ratemaking methodologies, they are going
4 to produce different numbers and, therefore, I would
5 expect the rates would be different.

6 Q. Now, you mentioned that you have reviewed
7 Section 4928.143(B) (2) (c)?

8 A. Yes.

9 Q. And does that statute specify which cost
10 basis would be used to establish the rate?

11 A. I don't recall.

12 Q. For purposes of your testimony did you
13 assume any particular cost basis for establishing the
14 rate?

15 A. It would -- which rate are we asking?

16 Q. The cost-based hedge that you mention in
17 your testimony.

18 A. Okay. The basis for the GRR calculation.

19 Q. I suppose it could be that.

20 A. That's what I was referring to here.

21 Q. Did you assume any one of those
22 methodologies?

23 A. I assumed that it would be based on a
24 traditional revenue requirement methodology that
25 would examine rate base, which expenses, rate of

1 return.

2 Q. Mr. Baron, moving to a different subject,
3 I think you told Mr. Kutik that you are familiar with
4 Appendix C; is that correct?

5 A. I reviewed it.

6 Q. And are you familiar with the shopping
7 caps in Appendix C?

8 A. I'm -- I'm familiar with the so-called
9 RPM set-aside factors.

10 Q. Thank you. Now, when OEG signed the
11 stipulation on September 7, were you aware that the
12 allocation of the RPM set-aside was already exhausted
13 for the commercial class when the stipulation was
14 signed?

15 A. Well, I am going to try to answer your
16 question very precisely. I wasn't involved in the
17 negotiations. I didn't sign the OEG stipulation, but
18 if you are asking me -- I don't even know when OEG
19 actually signed it but I -- let's assume it was on
20 September 7.

21 I was not aware of the megawatt hours
22 that might have already been accounted for in these
23 categories, if that's what your question is. I can't
24 tell you whether OEG was aware or OEG counsel was
25 aware, but Stephen Baron was not aware.

1 Q. I think you previously talked about the
2 ESP/MRO comparison.

3 A. Yes.

4 Q. And on page 13 of your testimony you said
5 it can't be done with mathematical precision without
6 knowing the outcome of Case 10-2929?

7 A. Yes, that's what I said.

8 Q. Are you aware that in that case the
9 Commission issued an order that set the state
10 compensation mechanism at the RPM price?

11 A. Originally --

12 Q. And are you aware that order is still in
13 effect?

14 A. It's my recollection, and I wasn't
15 involved in that case, but it's my recollection that
16 the Commission originally set it at that -- at the
17 RPM price but the Commission was -- the issue was
18 being revisited and reconsidered by the Commission.

19 So if you're asking me that, I do
20 understand, and if you are asking me as a legal
21 matter whether the prior decision of the Commission
22 setting the capacity price at the RPM is still in
23 effect, I'm -- I'm assuming that it is based on
24 information -- testimony that I've read from various
25 witnesses in this case.

1 Q. And it's safe to say that you didn't do
2 any calculation of the ESP versus MRO? I think you
3 told Mr. Kutik that; is that right?

4 A. I've testified to that, yes, that that's
5 correct.

6 Q. You have previously submitted testimony
7 discussing the ESP/MRO comparison of this Commission;
8 isn't that correct?

9 A. In prior -- in other proceedings?

10 Q. Yes.

11 A. I -- I believe I did address issues
12 related to that in some -- one or more FirstEnergy
13 proceedings. I have -- I believe if I didn't do it,
14 someone else from my firm may have done it.

15 Q. Did you present testimony in Case 10-2586
16 which was the Duke market rate offer case?

17 A. Yes, I did.

18 Q. And in that testimony did you discuss the
19 proportion of the ESP -- for the legacy ESP price
20 that should be used in the blend-to-market rate
21 offer?

22 A. I believe I did address the issue of
23 the -- of the reasonable percentage factors to be
24 used for the blending.

25 MR. OLIKER: May I approach, your Honor?

1 EXAMINER TAUBER: You may.

2 MR. OLIKER: Your Honor, this is a
3 certified copy from the Commission that I will give
4 to the witness.

5 Your Honor, I would like to mark for
6 identification IEU-Ohio Exhibit 2. This is the
7 testimony of Stephen Baron in Case 10-2586-EL-SSO.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Have you also reviewed any
10 interrogatories and exhibits in this case?

11 A. I have -- the answer is yes, I have
12 reviewed some, not all.

13 Q. Did you review any of the companies'
14 responses regarding proportionate of lending that
15 should be used in the ESP versus MRO test?

16 A. I don't recall seeing that.

17 Q. Well, first, could we look at your
18 testimony in the Duke case?

19 A. Yes.

20 Q. Which has been marked as IEU Exhibit 2.
21 Could you turn to page 15, I think it is. Actually
22 I'm sorry, it's -- I believe it is page 5.

23 A. Any particular line reference?

24 Q. I think you can start with line 15,
25 question.

1 MR. K. BOEHM: You just want him to
2 review this?

3 Q. Is this your testimony in that case?

4 A. It appears to be, yes.

5 Q. And you testified in that case?

6 A. Well, yes. I am trying to remember
7 whether I was cross-examined or not. I guess I was.
8 Mr. Kutik recalls that, so.

9 Q. Did you previously testify that, starting
10 on line 18, "Yes, this provision requires a rate
11 transition from the existing SSO price to full market
12 based pricing over a minimum of five years for an
13 electric distribution utility that owned generating
14 resources as of July 31, 2008"?

15 A. Yes, that was my testimony in that case.

16 MR. OLIKER: May I approach, your Honor?

17 EXAMINER TAUBER: You may.

18 MR. OLIKER: I would like to mark this
19 for identification as IEU Exhibit 3.

20 EXAMINER SEE: Mr. Olikier?

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Mr. Baron, have you seen this
23 interrogatory response before from the company?

24 A. No. I don't believe I have.

25 Q. Could you look at IEU Exhibit 3 and read

1 the interrogatory, please, to yourself.

2 A. All right. I have done that.

3 Q. Now, safe to say this describes the
4 blending period that the company used for the MRO
5 price from June, 2015, to May, 2016?

6 A. Yes. That's what the question asks.

7 Q. Now, can you look at the response from
8 the company. Actually line 13 on page 2 of the
9 exhibit.

10 A. I'm looking at it.

11 Q. What does that say?

12 A. It says "AP." Is that what you are
13 referring to?

14 Q. Yes.

15 A. It says "AP."

16 Q. And what does "AP" say down at the bottom
17 of the page?

18 A. It says "auction price."

19 Q. So is it your understanding that the
20 company uses the same blending proportion of the
21 legacy ESP price that you use in your testimony in
22 the Duke case?

23 A. I don't know. I would have to -- I
24 haven't really reviewed the work, Ms. Thomas'
25 workpapers. I can't really answer that. I can tell

1 you what this document says, but I can't tell you
2 what the underlying implication is.

3 Q. Mr. Baron, is it also true you have
4 previously testified on the way deferrals should be
5 calculated?

6 A. As an open-ended question like that, I am
7 sure I have testified in one or many more cases about
8 deferrals in some aspect or another.

9 Q. Did you testify in West Virginia Case
10 09-0177-E-GI regarding Appalachian Power and Wheeling
11 Power Company?

12 A. I am going to have to look at my list of
13 testimony appearances to answer that.

14 Q. I have a copy of your testimony from that
15 case style.

16 A. Okay.

17 MR. OLIKER: May I approach, your Honor?

18 EXAMINER TAUBER: You may.

19 MR. OLIKER: I would like to mark IEU
20 Exhibit 4 the testimony from Case No. 09-0177-E-GI of
21 Stephen Baron.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 Q. Mr. Baron, is this your testimony from
24 that case?

25 A. It appears to be, yes.

1 Q. Did you testify in that case?

2 A. Well, the testimony was filed. I
3 honestly don't recall whether I was cross-examined or
4 not. I simply don't remember. I mean, it was --
5 many of the cases in West Virginia are settled, so I
6 just don't know.

7 Q. I believe you also filed rebuttal
8 testimony in that case.

9 A. That very well could be but, again, when
10 you said did I testify, I don't actually remember.
11 The chances are that I -- that the case was settled
12 and that I didn't actually appear for
13 cross-examination. I might have. I just don't
14 recall.

15 Q. Would you say this testimony is an
16 accurate representation?

17 A. Of my direct testimony?

18 Q. Yes.

19 A. It appears to be, yes. I haven't read
20 every word.

21 Q. Does it accurately reflect your views?

22 MR. NOURSE: Your Honor, I object. We
23 are going through this marking all these exhibits and
24 not making any tie to issues in this case or we can
25 have a big discussion here if there is any motion to

1 admit these at the end of the cross-examination.

2 It is just, you know, asking wholesale if
3 he testified in another case without any connection
4 is a burden in the record and causes problems later.

5 EXAMINER TAUBER: We'll sustain your
6 objection.

7 MR. OLIKER: Your Honor, can I respond,
8 please?

9 EXAMINER TAUBER: You can provide a
10 response briefly.

11 MR. OLIKER: The witness has stated that
12 first he supports the ESP versus MRO calculation and
13 that it passes it in the stipulation. He has
14 statements that impeach that from other -- other
15 testimony that he's filed under Rule 611 this is
16 permitted.

17 EXAMINER SEE: And the Bench is
18 requesting you tie it into the testimony, not just
19 refer to it. The objection is sustained.

20 Q. (By Mr. Oliker) Are you aware in the
21 stipulation that the PIRR provides for the collection
22 of deferrals without an added adjustment?

23 A. I have not reviewed that provision.

24 Q. Have you testified in the past that ADIT
25 should be removed in deferrals? Have you testified

1 in the past that ADIT should be removed in the
2 calculation of deferrals?

3 A. In -- it's -- my recollection is, now
4 that you bring -- I haven't really had a chance to
5 review this testimony but I have testified in a
6 number of cases including I believe this West
7 Virginia case that in the -- for -- regarding the
8 issues in this case, in the West Virginia case, on
9 the calculation of a fuel deferral related to the
10 ENEC mechanism that there should be have been in the
11 companies' calculation an ADIT adjustment to the
12 deferral mechanism.

13 I have not reviewed the calculations of
14 the PIRR in this case. I have no basis at this point
15 to testify one way or the other whether that
16 calculation is right, whether there should be an ADIT
17 offset, whether there is an ADIT offset, I simply
18 haven't reviewed it.

19 MR. OLIKER: Can I have a minute, your
20 Honor?

21 EXAMINER TAUBER: Yes.

22 MR. OLIKER: I have no more questions.

23 EXAMINER TAUBER: Thank you.

24 Ormet.

25 MS. HAND: Yes, I have a number of

1 exhibits. Permission to approach.

2 EXAMINER TAUBER: You may.

3 MS. HAND: I am going to distribute them
4 in a packet and then walk through them individually
5 just to save a little time walking around.

6 - - -

7 CROSS-EXAMINATION

8 By Ms. Hand:

9 Q. If you will take a moment to review them
10 while I am distributing and then let me know when
11 you're.

12 A. Sure.

13 MR. NOURSE: Exhibit 4.

14 MS. HAND: It's going to be Exhibits 4
15 through 21.

16 MR. NOURSE: You didn't --

17 MS. HAND: You guys objected to my
18 marking the previous one as No. 4 so that was not
19 marked.

20 MR. CONWAY: That was not marked.

21 EXAMINER SEE: Ormet only has Exhibits 1,
22 2 and 3 in the record at this point.

23 MS. HAND: Yes.

24 THE WITNESS: I've reviewed it.

25 Q. (By Ms. Hand) Okay, I wanted to say you

1 have been on the stand for a little while. Are you
2 comfortable to continue for another, say, half hour
3 or so?

4 A. I won't mind taking a couple-minute
5 break, if it's okay.

6 EXAMINER TAUBER: Yeah, we'll take a
7 10-minute recess and we'll reconvene at 10:35. We
8 will go off the record.

9 (Recess taken.)

10 EXAMINER TAUBER: Let's go back on the
11 record.

12 Ms. Hand.

13 MS. HAND: Thank you.

14 Q. (By Ms. Hand) If you could turn to the
15 documents I distributed just before the break.

16 A. Yes. It's marked ORM 4.

17 Q. Yes. I was going to walk through them
18 and mark them quickly before we start.

19 MS. HAND: I would like to have marked as
20 Exhibit ORM 4 Ohio Energy Group's response to the
21 interrogatory numbered ORM-OEG-1-1. I would like to
22 have marked as Exhibit ORM 5, Ohio Energy Group's
23 response to the interrogatory numbered ORM-OEG-1-2.

24 I would like to have marked as Exhibit
25 No. ORM 6 Ohio Energy Group's response to the

1 interrogatory numbered ORM-OEG-1-3.

2 I would like to have marked as Exhibit
3 ORM 7 Ohio Energy Group's response to the
4 interrogatory numbered ORM-OE-1-8. I would like to
5 have marked as Exhibit ORM 8 OEG's response to the
6 interrogatory number ORM-OEG-1-9.

7 I would like to have marked as ORM 9
8 OEG's response to the request for admission numbered
9 ORM-OEG-1-11. I would like to have marked as Exhibit
10 ORM 10 Ohio Energy Group's response to the request
11 for admission numbered ORM-OEG-1-12.

12 I would like to have marked as ORM
13 exhibit -- Exhibit No. ORM 11 Ohio Energy Group's
14 response to the request for admission numbered
15 ORM-OEG-1-13. And I would like to have marked as
16 Exhibit No. ORM 12 Ohio Energy Group's response to
17 the request for admission numbered ORM-OEG-1-14.

18 (EXHIBITS MARKED FOR IDENTIFICATION.)

19 Q. (By Ms. Hand) Mr. Baron, were these
20 responses, and I am referring to Exhibits ORM 4
21 through ORM 12, were each of these responses prepared
22 by you or under your supervision?

23 A. Yes.

24 Q. Okay. And would your answer to each of
25 these responses be the same today?

1 A. Yes, to the best of my knowledge.

2 Q. Just a couple of other questions. Do you
3 have in front of you a complete copy of your
4 stipulation testimony?

5 A. Yes.

6 Q. And a copy of the transcript of the
7 September 26, 2011, deposition?

8 A. Yes, I do have that.

9 Q. Okay. With regard to the 250-megawatt
10 limitation on the load factor provision in the
11 stipulation, do you know what criteria were used to
12 determine the 250 megawatts was the appropriate
13 threshold for the load factor provision?

14 A. No. I was not involved in the
15 negotiations.

16 Q. Okay. Thank you.

17 And in your stipulation testimony at page
18 7, starting at line 21 and continuing over to page 8,
19 line 2, you state "Further, Ormet has often been
20 treated as a unique customer, frequently operating
21 under a series of special arrangements for its
22 electric service. It is reasonable to treat Ormet as
23 unique in this proceeding as well."

24 Is it your position that customers with
25 special arrangements should be excluded from the load

1 factor provision under the stipulation?

2 A. No.

3 Q. Okay. Do you believe that whether or not
4 a customer has a special arrangement is relative --
5 is relative -- relevant to the -- to whether or not
6 they should be allowed to be included under the load
7 factor provision?

8 A. It can be and certainly the stipulation
9 has effectively not included Ormet, and it is also
10 true that Ormet has a special arrangement, so those
11 are both true.

12 Q. Okay. But you state in your testimony
13 that one of the reasons it's reasonable to apply the
14 load factor provision to any customers with the
15 monthly peak demand greater than 250 megawatts is
16 that Ormet is frequently operated under a special
17 arrangement.

18 A. Yes. But I think the more -- more
19 important element of that statement beginning on line
20 22 is that you -- Ormet is a unique customer. It's
21 unique because of its very, very large size, 520
22 megawatts.

23 It's unique because of the long history
24 of Ormet, my understanding that Ormet operated in an
25 entirely unique fashion, not just a traditional

1 tariff customer that might have a special
2 arrangement, but it was for reasons that the Public
3 Utilities Commission and the State of Ohio approved
4 Ormet was -- has been treated in a unique manner, I
5 think, throughout its history is my understanding.

6 Q. And have you done an analysis to
7 determine whether there are any other customers that
8 have also been treated as unique customers by the
9 Ohio Commission in a manner that would merit
10 excluding them from the load factor provision?

11 A. I have not done any analysis of that, but
12 I have been involved in AEP Ohio rate proceedings for
13 many years, I think beginning probably in 1986, and I
14 am generally familiar at various times with issues
15 involving Ormet due to its very unique
16 characteristics, it's large size and the nature of
17 the business that Ormet is in.

18 MS. HAND: Okay. Thank you, Mr. Baron.

19 If I could have just a moment.

20 That's all I have.

21 EXAMINER TAUBER: Thank you.

22 Are there any other parties for cross?

23 Mr. Boehm, would you like to do redirect?

24 MR. K. BOEHM: Briefly, your Honor.

25 - - -

REDIRECT EXAMINATION

By Mr. K. Boehm:

Q. Mr. Baron, do you recall discussing the pool modification rider with counsel for IEU?

A. Yes, I do.

Q. Are signatory parties according to the terms of the stipulation, are they required to -- to support the costs that -- that AEP submits that AEP applies to recover per the pool modification rider?

A. No. That's -- my understanding based on reading paragraph 5 on page 25 of the stipulation is specifically it says that the Signatory Parties reserve the right to challenge the amount and the recovery of these costs before the Commission and FERC.

That -- the pool modification rider provision says -- of the stipulation says it will be established at zero. The parties have a right to challenge the amount presumably above zero and -- and, in fact, the recovery of the cost before the Ohio Commission and the FERC and the only specific provision that I see that affects the ESP is that the company can't file for recovery of costs unless they are greater than 50 million, so it's a limitation on AEP.

1 I don't -- I don't necessarily see that
2 the -- certainly my understanding is that -- that
3 none of the parties including OEG waive the right to
4 challenge the pool, any pool modification rider
5 amounts, that might be requested to be charged to
6 ratepayers.

7 Q. Do you recall discussing the unique
8 arrangement that Ormet has with AEP with Ms. Hand?

9 A. Yes, I do.

10 Q. And you -- you stated that -- that the --
11 can you elaborate on -- on what makes the unique
12 arrangement of Ormet?

13 Is there any difference between the way
14 that that is -- the rate is calculated for Ormet than
15 for the other special contract customers?

16 A. Yes. I haven't -- I have reviewed the
17 Ormet special arrangement based on reviewing the
18 Commission order -- order establishing an order, I
19 guess, in the \$290. And I haven't reviewed the
20 other -- any other special arrangements that might
21 occur or might be in effect, but the Ormet
22 arrangement is designed to, in my view, to provide
23 economic protection to Ormet to -- to help ensure
24 that it will continue operating, continue providing
25 jobs by tying the price ultimately that Ormet pays to

1 some extent to the London Metal Exchange price of
2 aluminum to the base Ormet receives for its products.

3 And in that matter the Ormet arrangement
4 basically provides stability and economic viability
5 for Ormet, whereas, in -- and in contrast because of
6 its large size if Ormet were included in the load
7 factor provision, it would significantly diminish the
8 benefits and may actually increase costs to other
9 industrial customers on rates GS-2, GS-3, GS-4 that
10 would have the effect of potentially diminishing or
11 affecting their economic viability, which is the
12 whole purpose of the load factor provision.

13 So I -- I support the stipulation
14 provision as it is written because it is designed to
15 promote the objectives of ensuring the economic
16 viability of Ohio manufacturing. Ormet has this
17 arrangement that does that in the sense that it is
18 tied to the London Metal Exchange price.

19 The load factor provision excluding Ormet
20 provides some benefit or some mechanism to do that
21 for other industrial customers of AEP Ohio.

22 Q. Are you aware if Ormet is also -- has
23 unique treatment with regard to the kilowatt hours
24 FACs in Ohio?

25 MS. HAND: I am going to object to that,

1 your Honor. That goes well beyond the scope of my
2 cross, and if it was relevant to the case, they
3 certainly had an opportunity to put it in on his
4 direct testimony initially.

5 EXAMINER TAUBER: Mr. Boehm.

6 MR. K. BOEHM: Ms. Hand asked Mr. Baron a
7 series of questions regarding the uniqueness of Ormet
8 as it -- as compared to the other special contract
9 customers of AEP. I am simply -- I am asking a
10 question consistent with that -- with that line of
11 questioning.

12 EXAMINER TAUBER: I am going to sustain
13 the objection at this time. It wasn't from my
14 understanding within the scope of direct. Please
15 continue.

16 MR. K. BOEHM: That's all the questions I
17 have. Thank you.

18 EXAMINER TAUBER: Thank you.

19 In light of the redirect questions are
20 there any recross questions from OCC?

21 MR. ETTER: No.

22 MR. KUTIK: Your Honor, I have one or
23 two.

24 EXAMINER TAUBER: Yes, Mr. Kutik.

25 - - -

RECROSS-EXAMINATION

By Mr. Kutik:

Q. Mr. Baron, you referred to the provision in the stipulation regarding the pool termination modification rider, and particularly the \$50 million threshold. Do you remember that?

A. Yes.

Q. Is it your understanding if the cost of the pool termination modification is \$50 million plus \$1, would AEP be allowed to recover the \$50 million plus 1, or would they only be entitled to the \$1?

A. The way I read the language, it says the company may pursue recovery of the entire impact.

MR. KUTIK: Thank you.

EXAMINER TAUBER: Does IEU have any questions on recross?

MR. OLIKER: No questions, your Honor.

EXAMINER TAUBER: Does Ormet have any questions?

MS. HAND: I do, thank you.

- - -

RECROSS-EXAMINATION

By Ms. Hand:

Q. Mr. Baron, if Ormet did not have a contract that provided it with stability and economic

1 viability, if Ormet was a regular tariff customer of
2 AEP Ohio, would your opinion change as to the
3 reasonableness of the 200 -- the application of the
4 250-megawatt provision?

5 A. I don't know. I would have to review the
6 facts. Your question is a hypothetical, but.

7 Q. Correct.

8 A. So I would have just to review the facts
9 and the impact and so forth. I don't know.

10 MS. HAND: Thank you.

11 EXAMINER TAUBER: Thank you, Mr. Baron.
12 You may be excused.

13 THE WITNESS: Thank you, your Honor.

14 MR. K. BOEHM: Your Honor, I would like
15 to move for admission of OEG Exhibit 1.

16 EXAMINER TAUBER: Which is the direct
17 testimony of Mr. Baron?

18 MR. K. BOEHM: Yes.

19 EXAMINER TAUBER: Are there any
20 objections?

21 Hearing none, OEG Exhibit 1 shall be
22 admitted.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 MR. OLIKER: Your Honor, I would like to
25 move for admission of Exhibits 1, 2, and 4.

1 EXAMINER SEE: 1, 2, and 4?

2 MR. OLIKER: 1, 2, and 4.

3 EXAMINER TAUBER: Are there any
4 objections?

5 MR. NOURSE: Yes, your Honor. I think
6 with respect to Exhibit 1 the only admission in that
7 whole document discussed was 4-2. Mr. Baron read the
8 entire sentence of that into the record. I don't
9 think there is any need to dump the rest of the
10 exhibit in the record without any basis of cross or
11 support relevance to the -- through the cross.

12 Are we taking these individually?

13 EXAMINER TAUBER: We can take all of
14 them.

15 MR. NOURSE: Okay. With respect to
16 Exhibit 2, this was the testimony in the Duke case.
17 There were only one or two questions about this and
18 it wasn't a tie-in to his testimony.

19 This is just testimony. You know, the
20 rest of the cross-examination or motions to strike or
21 anything else that may have occurred with respect to
22 this testimony are not in this record. There is no
23 connection to the issues. There certainly wasn't a
24 basis to admit this entire 47-page piece of testimony
25 into the record in this case.

1 MR. NOURSE: 3 was not moved, correct?

2 EXAMINER SEE: Correct.

3 MR. NOURSE: Okay. No. 4 was the West
4 Virginia testimony, I believe, the testimony before
5 the West Virginia Commission. Again, I don't see
6 that there is any connection to this entire document
7 being dumped into the record.

8 There was one question about his
9 testimony in that case. He didn't -- there was no
10 dispute about what he testified. He readily admitted
11 and explained it. So I don't think there is any
12 basis to admit this entire document as evidence in
13 this record.

14 Thank you, your Honor.

15 EXAMINER TAUBER: Mr. Oliker.

16 MR. OLICKER: I think Mr. Nourse is
17 arguing that the last one was cumulative, which I
18 think is a valid objection, but going to the first
19 objection regarding IEU Exhibit 1, those are all
20 requests for admission which are conclusively
21 established against the parties in a proceeding under
22 Commission rules.

23 EXAMINER SEE: Mr. Oliker, I am having a
24 problem hearing you, given that the fan is behind us,
25 so if you could speak up a little, I would appreciate

1 it.

2 And did I hear you say -- and did I hear
3 you say that you are agreeing that there's no need
4 for IEU Exhibit 4 to be in the record?

5 MR. OLIKER: No, your Honor.

6 EXAMINER SEE: Okay.

7 MR. OLIKER: Regarding Exhibit 4 I was
8 saying I believe his objection is that it's
9 cumulative and that's a valid objection.

10 MR. NOURSE: That's not what I said.

11 MR. OLIKER: But we'll take it by the
12 numbers. Starting with No. 1.

13 EXAMINER SEE: Okay.

14 MR. OLIKER: Each -- that entire document
15 consists of requests for admission which have been
16 admitted and those are all conclusively established
17 against the parties in the proceeding according to
18 the Commission rules.

19 MR. NOURSE: Your Honor, there are
20 thousands of pages of discovery in this matter and,
21 you know, there was no attempt to stipulate to
22 admissions. This is a cross-examination exhibit, and
23 so I believe it's inadmissible.

24 MR. OLIKER: Your Honor, there is no
25 requirement to stipulate. We were attempting to move

1 this set.

2 EXAMINER SEE: Thank you, gentlemen. As
3 to IEU Exhibit 1, the content of 4-2 which is
4 response 4-2 was the only one that I recall the
5 witness being questioned about. He read the content.
6 It was admitted into the record. So your request to
7 move IEU Exhibit 1 is denied.

8 IEU Exhibit 2.

9 MR. OLIKER: Your Honor, regarding IEU
10 Exhibit 2, which is the witness's prior testimony, I
11 think counsel said that there is -- for AEP said
12 there is no tie to his testimony. But the witness
13 testified on the stand that he is supporting the
14 company in the stipulation regarding the ESP versus
15 MRO proposal.

16 That testimony that he admitted in his --
17 in a previous case specifically goes to the way that
18 test is applied and it contradicts the companies'
19 methodology. It impeaches his statement that he is
20 supporting that calculation.

21 MR. NOURSE: Your Honor, could I briefly
22 respond?

23 EXAMINER TAUBER: Briefly.

24 MR. NOURSE: He asked him about one or
25 two questions about it and that was answered.

1 There's no indication that there's any tie to the 47
2 pages of testimony to be dumped in the record as
3 evidence that some other piece of it could be
4 discussed or relied upon later and had no connection
5 to the cross-examination. The connection that was
6 made is already in the record.

7 MR. OLKER: Your Honor, we would agree
8 to submit the page he was crossed on.

9 EXAMINER TAUBER: What page was that?

10 MR. OLKER: Let me get my reference.

11 EXAMINER SEE: I tell you what, we will
12 hold the admission of IEU Exhibit 2 in abeyance, and
13 you can provide us with a revised exhibit tomorrow
14 morning.

15 MR. OLKER: Page 5, but I'll confirm
16 that.

17 EXAMINER SEE: Okay. 3 was not moved
18 into the record and let's go over IEU Exhibit 4
19 again.

20 MR. OLKER: Regarding Exhibit 4, the
21 witness has -- he's testified regarding the benefits
22 of the stipulation and when we were talking about a
23 specific term --

24 EXAMINER SEE: Hold on for just a minute,
25 Mr. Olier.

1 Sorry about that, Mr. Olikier. Go ahead.

2 MR. OLIKER: The witness has testified
3 regarding the benefits of the stipulation and there's
4 a specific term in the stipulation that does not
5 remove ADIT from the calculation of deferrals.

6 The witness has very strong opinions
7 about how deferrals should be calculated in other
8 proceedings. He has identified that testimony as his
9 and those views accurately reflect his views. It's
10 directly relevant to whether or not the benefits are
11 actually there.

12 MR. NOURSE: Your Honor, he readily --

13 EXAMINER SEE: Just a minute, Mr. Nourse.

14 EXAMINER TAUBER: We're going to hold
15 this in abeyance as well and rule on it at a later
16 time.

17 EXAMINER SEE: So with that as far as IEU
18 exhibits, you will provide a revised IEU Exhibit 2?

19 MR. OLIKER: Exhibit 1 -- 2.

20 EXAMINER SEE: Exhibit 2.

21 MR. OLIKER: Yes.

22 EXAMINER SEE: 3 was not moved, and we
23 reserved judgment on IEU Exhibit 4.

24 Ms. Hand, you had marked a number of
25 exhibits.

1 MS. HAND: Yes. I would like to move
2 Exhibits ORM 4 through ORM 12 into the record.

3 EXAMINER TAUBER: Are there any
4 objections?

5 MR. NOURSE: No, your Honor.

6 EXAMINER SEE: If there are -- are there
7 any objections to the admission of Ormet Exhibits 4
8 through 12?

9 Hearing none, Ormet Exhibits 4 through 12
10 are admitted into the record.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 MS. HAND: Thank you, your Honor.

13 EXAMINER TAUBER: At this point we would
14 like to call Mr. Irvin to the stand.

15 MR. MONTGOMERY: Your Honor, thank you.
16 My name is Chris Montgomery on behalf of Paulding
17 Wind Farm II.

18 - - -

19 STEVEN IRVIN
20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Montgomery:

24 Q. Could you please state your name and
25 address for the record.

1 A. Steven Irvin, 108 Travis Street, Suite
2 700, Houston, Texas, 77002.

3 Q. Could you please state for whom you are
4 currently employed?

5 A. EDP Renewables North America.

6 Q. Are you the same Steve Irvin who
7 previously submitted prefiled direct testimony in the
8 AEP SSO case in -- on September 13, 2011?

9 A. I am.

10 MR. MONTGOMERY: I would like to mark as
11 Paulding Wind Farm II, LLC, Exhibit 1, the direct
12 testimony in support of the stipulation and
13 recommendation of Steve Irvin on behalf of Paulding
14 Wind Farm II, LLC.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Mr. Irvin, do you have what has been
17 marked as Paulding Wind Farm II Exhibit 1 in front of
18 you?

19 A. I do.

20 Q. Could you please identify that exhibit?

21 A. This one right here?

22 Q. That's your direct testimony in this
23 case?

24 A. Yes, it is.

25 Q. Was this direct testimony prepared by you

1 or under your direction and/or supervision?

2 A. It was.

3 Q. Do you have any additions, deletions, or
4 corrections to that testimony today?

5 A. I do not.

6 Q. If I were to ask you the same questions
7 that are in your direct testimony today, would you
8 provide the same answers?

9 A. I would.

10 MR. MONTGOMERY: At this time we tender
11 the witness for cross-examination.

12 EXAMINER TAUBER: OCC.

13 MR. ETTER: Yes, thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Etter:

17 Q. Good morning, Mr. Irvin.

18 A. Good morning.

19 Q. Your testimony deals with what is called
20 the Paulding Wind project; is that right?

21 A. That's correct.

22 Q. And is AEP getting all the capacity from
23 that project or are there other electric utilities
24 getting some of the capacity?

25 A. I don't believe they are getting the

1 capacity. I would have to go back and review the
2 purchase agreement. I don't recall that right now.

3 Q. And is Timber Road --

4 A. They are getting the capacity.

5 Q. All of the capacity?

6 A. Yes.

7 Q. Okay. And is Timber Road actually
8 operating now, the Timber Road that's the subject of
9 your testimony?

10 A. It is.

11 Q. It is. And so what exactly would be --
12 would be recovered under the alternative energy
13 rider? What costs do you expect to be recovered
14 under the alternative energy rider that's part of the
15 ESP?

16 EXAMINER SEE: Mr. Etter, the Bench can't
17 hear you.

18 MR. ETTER: I'm sorry, move this up a
19 little bit.

20 EXAMINER SEE: Okay.

21 A. The costs that AEP Ohio would incur under
22 our renewable energy purchase agreement.

23 Q. Okay. And you state in your testimony on
24 page 4, lines 11 and 12, that the Timber Road "will
25 bring direct benefits to Ohio ratepayers through

1 lower prices." And how would that go -- how would
2 that go about?

3 A. Well, first, by the prospects of having
4 this agreement with AEP Ohio, my company was
5 compelled to make a rather large investment in the
6 project without, you know, the promise of a long-term
7 contract.

8 Entities like my parent company EDP is
9 not inclined to make investments that don't give us
10 long-term price certainty. Similarly, when we look
11 to the capital markets for third-party capital in
12 support of these like this investment was \$175
13 million, they look for long-term price certainty.

14 Q. And what part of AEP's rate structure
15 would -- or should those lower prices be seen?

16 A. I'm sorry?

17 Q. In what part of AEP's rate structure
18 should those lower prices be seen?

19 A. As I understand, it would be recovered
20 under an alternative -- alternative energy rider.

21 Q. That's -- that's the cost though, right?

22 A. Right.

23 Q. But the lower prices that you talk
24 about --

25 A. And their costs of generation supply.

1 Q. The base generation rate?

2 A. As well as their cost of procuring
3 renewable energy credits under the state RPS. That's
4 what this is applying to them and capacity, as you
5 mentioned earlier.

6 Q. And that's the bypassable base generation
7 rate, is it not?

8 A. Yeah. The charges would be bypassable.

9 Q. Yeah. Are you aware that the stipulation
10 calls for AEP to have a -- essentially a set rate for
11 each year of the ESP for its base generation rate?

12 A. I am not.

13 Q. So -- so essentially if the -- whatever
14 lower rates that -- that might come about because of
15 the Timber Road Wind Farm Project might be offset by
16 the average rate, the annual average rate, that AEP
17 is guaranteed through the stipulation?

18 A. I'm not familiar with the coordination of
19 the base rate and the cost that they would incur
20 under the PEA, the renewable energy purchase
21 agreement.

22 MR. ETTER: That's all the questions I
23 have. Thank you.

24 EXAMINER TAUBER: FES.

25 MR. KUTIK: No questions.

1 EXAMINER TAUBER: IEU.

2 MR. OLIKER: Just a few.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Oliker:

6 Q. Mr. Irvin, would you agree that your
7 interest in the stipulation is limited to the Timber
8 Road REPA?

9 A. That is correct.

10 Q. And is it true that you're testifying in
11 favor of a one-time prudence review?

12 A. That is correct.

13 Q. For a 20-year contract?

14 A. That's correct.

15 Q. And on page 4 of your testimony you state
16 that a 20-year contract will help with long-term
17 financing?

18 A. That's correct.

19 Q. Is it true that the Timber Road Project
20 is already completed?

21 A. That is correct.

22 MR. OLIKER: I have no further questions.

23 EXAMINER TAUBER: Thank you.

24 Does Ormet have any questions?

25 MS. HAND: No, your Honor.

1 EXAMINER TAUBER: Are there any other
2 parties?

3 Thank you.

4 Does Paulding Wind Farm have any
5 questions on redirect?

6 MR. MONTGOMERY: No, your Honor.

7 EXAMINER TAUBER: Thank you.

8 The Bench has no questions. You may be
9 excused. Thank you.

10 MR. MONTGOMERY: I would like to move to
11 admit the testimony, Paulding Wind Farm II, LLC
12 Exhibit 1.

13 EXAMINER TAUBER: Were there any
14 objections to Paulding Wind Farm Exhibit 1?

15 Hearing none, Paulding Wind Farm Exhibit
16 1 shall be admitted.

17 (EXHIBIT ADMITTED INTO EVIDENCE.)

18 EXAMINER TAUBER: You may be excused.

19 Can we call Mr. Allen to the stand,
20 please.

21 MR. NOURSE: Yes, your Honor. The
22 companies call William Allen to the stand.

23 - - -

24

25

1 WILLIAM A. ALLEN

2 being first duly sworn, as prescribed by law, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 By Mr. Nourse:

6 Q. Good morning, Mr. Allen. Could you state
7 and spell your full name for the record, please.

8 A. William A. Allen.

9 Q. And by whom are you employed and in what
10 capacity?

11 A. I am employed by American Electric Power
12 Service Corporation as the director of rate case
13 management.

14 Q. And did you cause written testimony to be
15 filed in these dockets in support of the stipulation?

16 A. I did.

17 MR. NOURSE: Your Honor, I would like to
18 mark Exhibit AEP Exhibit 4.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. Mr. Allen, do you have the document in
21 front of you that was just marked AEP Exhibit 4?

22 A. I do.

23 Q. And is this the composite revised
24 testimony that reflects revisions made to your
25 testimony yesterday and the day before yesterday?

1 A. Yes, it does.

2 Q. Okay. And was this testimony prepared by
3 you or under your direction?

4 A. Yes, it was.

5 Q. Do you have any corrections or updates
6 you would like to make to the testimony?

7 A. I do have one update. As described in my
8 testimony and with the -- and within the stipulation,
9 the company agreed to work with the signatory parties
10 to develop a detailed implementation plan for the RPM
11 set-aside allotment rules.

12 That process was completed and the
13 detailed implementation plan was filed with the
14 Commission yesterday, is my understanding.

15 Q. Okay. So your testimony refers to
16 Appendix C, and you are the AEP witness that helped
17 coordinate the implementation plan that was filed in
18 the docket yesterday?

19 A. Yes, that's correct.

20 Q. And you would be the witness to answer
21 any questions about that process or the outcome of
22 that process?

23 A. Yes, I would.

24 Q. Okay. And with that update if I were to
25 ask you the same questions in your AEP Exhibit 4

1 testimony, would your answers be the same today?

2 A. Yes, they would.

3 MR. NOURSE: Okay. Thank you.

4 Your Honor, I would move for admission of
5 AEP Exhibit 4 subject to cross-examination.

6 MR. KUTIK: Your Honor, may I ask a
7 question of counsel?

8 EXAMINER TAUBER: You may.

9 MR. KUTIK: Is Exhibit 4 what was
10 circulated late yesterday afternoon?

11 MR. NOURSE: Yes.

12 MR. KUTIK: Thank you. I believe the
13 Bench has a copy of that as well; am I correct?

14 EXAMINER SEE: Yes, we do.

15 MR. NOURSE: Thank you.

16 MS. GRADY: I'm sorry if I missed it.
17 Did you label or did you identify the filing
18 yesterday, is that what we are talking about, or is
19 the testimony the Exhibit 4?

20 MR. NOURSE: The testimony is Exhibit 4.
21 The filing made yesterday essentially adds to the
22 stipulation.

23 MS. GRADY: Is it going to be marked and
24 filed as an exhibit?

25 MR. NOURSE: It's filed in the docket

1 just like the stipulation.

2 MS. GRADY: Is it going to be marked as
3 an exhibit?

4 MR. NOURSE: I don't plan to mark it as
5 an exhibit. If you would like to, that's fine.

6 MS. GRADY: It's your call.

7 EXAMINER SEE: Were you going -- start
8 with Ms. Grady.

9 MS. GRADY: Thank you, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Ms. Grady:

13 Q. Good morning, Mr. Allen.

14 A. Good morning.

15 Q. One of the areas that you testified on in
16 your filed testimony is the distribution investment
17 rider, and I am referring to your testimony at pages
18 9 through 11; is that correct?

19 A. Yes, that's correct.

20 Q. Do you consider yourself to be the
21 primary AEP Ohio witness on the distribution
22 investment rider as it's contained in the
23 stipulation?

24 A. I am one of the companies' witnesses
25 responsible for that.

1 Q. And what other witness is responsible for
2 the DIR, if you know?

3 A. To the best of my recollection, Company
4 Witness Hamrock also discusses the DIR.

5 Q. Now, you note in your testimony, Mr.
6 Allen, that the DIR is found in the stipulation
7 paragraph IV.1.n at page 8; is that correct?

8 A. Yes, begins on page 8 of the stipulation.

9 Q. And the stipulation provides for the
10 establishment and approval of a rider that will allow
11 carrying costs on the incremental distribution plan;
12 is that right?

13 A. Yes, that's correct.

14 Q. Are you aware of any legal basis for
15 including a distribution investment rider as part of
16 an ESP plan?

17 MR. NOURSE: I just object, your Honor,
18 to the extent she is asking for a legal basis. If
19 with clarification are you asking for his
20 understanding of whether it's covered in the ESP
21 statute?

22 MS. GRADY: That's correct.

23 MR. NOURSE: Okay. Thank you.

24 EXAMINER SEE: With that clarification
25 the witness can answer that question.

1 A. It's my understanding that a distribution
2 investment rider like what the company has proposed
3 is allowed under the ESP statute and one basis for
4 that is other utilities within the State of Ohio have
5 mechanisms very similar to what we have proposed here
6 that were approved by the PUCO in their ESP
7 applications as well.

8 Q. And what other utilities are you
9 referring to, Mr. Allen?

10 A. It would be Toledo Edison, Ohio Edison,
11 and CEI.

12 Q. And do you recall what case numbers those
13 would have been?

14 A. No, I do not.

15 Q. When you said that the DIR is allowed
16 under ESP statute, do you know what specific
17 statutory provision?

18 A. No, I do not.

19 Q. Now, Mr. Allen, you defined the
20 incremental distribution plant as net capital
21 additions reflecting gross plant in-service incurred
22 post-2000 adjusted for the growth in depreciation, do
23 you not?

24 A. For the gross and accumulated
25 depreciation, yes.

1 Q. And how do you define, Mr. Allen, net
2 capital additions?

3 A. Net capital additions would be the
4 electric plant in-service changes over those years.

5 Q. And the years you are referring to are
6 any year post-2000?

7 A. From 2000 until, you know, in the first
8 case it would be the end of 2011.

9 Q. Now, when you -- when you say in your
10 testimony, and I am looking at page 10, line 7, that
11 the gross plant in-service incurred post 2000 is
12 adjusted for growth and accumulated depreciation, are
13 you making there a distinction between the growth and
14 accumulated depreciation, or are you just testifying
15 that that is synonymous with accumulated
16 depreciation?

17 A. What I'm describing is that we would
18 calculate the change in electric plant in-service by
19 taking the delta between, for instance, the end of
20 2011 and 2000 on the electric service site. We would
21 do the same calculation for the accumulated
22 depreciation, so it's the change in accumulated
23 depreciation that occurs over that same period of
24 time.

25 Q. And not necessarily the growth in

1 accumulated depreciation?

2 A. If accumulated depreciation declined over
3 that period of time, that adjustment would be made as
4 well.

5 Q. Do you recall, Mr. Allen, and I know
6 there has been quite a bit of discovery, but do you
7 recall being asked in discovery to identify the
8 post-2000 investments up through current date that
9 would be the basis for the DIR?

10 A. It sounds familiar.

11 Q. Do you recall your response to that
12 discovery?

13 A. I do not.

14 MS. GRADY: Your Honor, may I approach
15 the witness?

16 EXAMINER TAUBER: You may.

17 Q. Mr. Allen, I am going to hand you a
18 folder with all the exhibits I intend to ask you
19 questions on.

20 A. Okay.

21 Q. So I don't have to keep getting up and
22 down from my seat, and I'll pass those out to the
23 parties.

24 Now, if you would -- if you would turn to
25 the first page in that packet and take a look at that

1 document, I would appreciate it.

2 A. I see that document.

3 MS. GRADY: Your Honor, at this time I
4 would like to have marked for identification purposes
5 as OCC Exhibit No. 2, the Columbus Southern Power
6 Company and Ohio Power Company's responses to the
7 Office of the Consumers' Counsel in PUCO Cases
8 11-346-EL-SSO and 11-348-EL-SSO 16th set
9 Interrogatory 370 representing a single-paged
10 document.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 MS. McALISTER: Excuse me, Ms. Grady,
13 could we get two copies?

14 MR. KUTIK: Your Honor, can we go off the
15 record for a minute?

16 EXAMINER TAUBER: You may. Let's go off
17 the record.

18 (Discussion off the record.)

19 EXAMINER TAUBER: Let's go back on the
20 record then.

21 Q. (By Ms. Grady) Did you have the
22 opportunity to review the document we've requested to
23 be marked as OCC Exhibit No. 2?

24 A. Yes, I have.

25 Q. Can you identify that document,

1 Mr. Allen?

2 A. It's a discovery response that was
3 prepared by myself.

4 Q. So you are familiar with this response,
5 correct?

6 A. Yes, I am.

7 Q. And does it appear to be a true and
8 accurate representation of your response?

9 A. Yes, it is.

10 Q. Now, in that response you indicate, do
11 you not, that the companies have not completed a
12 calculation to identify the post-2000 investment that
13 would be the basis for the DIR rider but that it be
14 calculated based on information contained in the
15 companies' FERC Form 1s; is that right?

16 A. The question asked "Please identify the
17 post 2000 investment up through present, which is the
18 basis for the Distribution Investment Rider, by plant
19 account, amount, and year of investment."

20 The company did not complete a
21 calculation as was requested there through present.
22 We don't do those calculations on a daily basis, and
23 information that's informative for parties to review
24 the results could be derived from the information in
25 the companies' FERC Form 1 as well as Exhibit No.

1 WAA-2 that I filed in this case.

2 Q. Thank you, Mr. Allen.

3 MS. GRADY: Now, your Honor, I would like
4 to have marked for identification purposes at this
5 time as OCC Exhibit No. 3 a three-page document with
6 the first page entitled CSP and OP Response to OCC
7 Discovery Request 17th Set Interrogatory 431.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Can you identify this document, Mr.
10 Allen?

11 A. Yes. This was a discovery response
12 prepared by myself.

13 Q. And are you familiar with this response?

14 A. Yes, I am.

15 Q. Does it appear to be a true and accurate
16 representation of your response?

17 A. Yes, it does.

18 Q. And in that response you state "See
19 Attachments 1 and 2." Do you see that reference?

20 A. Yes, I do.

21 Q. And are Attachments 1 and 2 in the second
22 and third pages of what has been asked to have been
23 marked OCC Exhibit No. 3?

24 A. Yes, they are.

25 Q. Let's take a moment to look at Attachment

1 1, Mr. Allen. That document shows, does it not, for
2 Ohio Power the electric plant in-service and includes
3 a number of plant items indicated by line; is that
4 correct?

5 A. Yes.

6 Q. And would line 8 entitled "Distribution"
7 represent the distribution investments for end of
8 quarter 2 of 2011?

9 A. Yes, it would indicate the plant
10 in-service balance as of the end of the second
11 quarter of 2011.

12 Q. And what is the date that is the end of
13 quarter 2 of 2011? What date does that represent?

14 A. It should be June 30, 2011.

15 Q. Thank you.

16 Now, would the basis for the distribution
17 investment rider for Ohio Power be the \$1.65 billion
18 figure minus accumulated depreciation and
19 amortization balance that is shown as 556.73 million?

20 A. Yes, I believe so.

21 Q. And that would be approximately \$1.1
22 billion of gross distribution plant in-service
23 post-2000 adjusted for growth and accumulated
24 depreciation?

25 A. Yes, I would describe that as the net

1 plant investment.

2 Q. And that would be the incremental
3 distribution plant for Ohio Power upon which the DIR
4 rider would allow carrying costs, correct?

5 A. No. The incremental plant would be the
6 difference between this value and the value from 2000
7 that's provided in Exhibit WAA-2.

8 Q. And what is that difference, if you know?

9 A. I don't know.

10 Q. Do you have an approximation of the total
11 distribution plant that would be the incremental
12 distribution plant for OP upon which the DIR rider
13 would allow carrying costs?

14 A. As indicated on line 4 of Exhibit WAA-2,
15 the net distribution plant for Ohio Power as of 2000
16 was 731,216,849. And what you would place in line 9
17 on that same exhibit would be the result of the math
18 that we just discussed, the \$1.65 billion less the
19 \$.556 billion.

20 MS. GRADY: If I may have a moment, your
21 Honor.

22 EXAMINER SEE: Yes.

23 MS. GRADY: May I have his last answer
24 reread, please?

25 (Record read.)

1 Q. So the distribution -- so, Mr. Allen,
2 just so I am following, what would the distribution
3 plant be that -- the incremental distribution plant
4 for Ohio Power upon which the DIR would allow
5 carrying costs? What would be the figure, if you
6 will, the exact dollar figure as we sit here today?

7 A. And I am pretty good at math, Maureen,
8 but I can't do that math in my head on the stand, but
9 it would be the math we just described.

10 You would take \$1,650,683,381 less
11 \$556,736,042 and from that amount you would subtract
12 \$731,216,849. That would be the net distribution --
13 I'm sorry, that would be the change in distribution
14 net plant that would be the result that would show up
15 on line 11 of Exhibit WAA-2 that would be the
16 starting point of the calculation.

17 There is a couple of additional
18 adjustments that need to be made as you work through
19 Exhibit WAA-2.

20 Q. And where in the stipulation does it
21 detail how this calculation is to be done, if you
22 know?

23 A. It's described in paragraph IV.1.n of the
24 stipulation on page 8, as I indicate in my testimony.

25 Q. Can you point me to --

1 EXAMINER TAUBER: Ms. Grady, would you
2 mind using the microphone. The Bench is having
3 trouble hearing you.

4 MS. GRADY: I'm sorry, I have never been
5 asked to use the microphone.

6 EXAMINER TAUBER: The fan is just a
7 little noisy back here.

8 Q. Could you tell me exactly where in the
9 stipulation, what sentence or language you are
10 referring to that would detail how that calculation
11 is to be made?

12 A. In your question you are just referring
13 to the calculation that goes up through line 1 of
14 Exhibit WAA-2?

15 Q. Yes, I think we were focusing on the fact
16 that the carrying charges to be calculated on the
17 change in distribution net plant, and I want to
18 determine where in the stipulation we get that idea.

19 A. It's described in two places, on page 9
20 of the stipulation still under subparagraph n
21 starting on the second line, the sentence reading
22 "The net capital additions included for recognition
23 under the DIR will reflect gross plant in-service
24 incurred post-2000 adjusted for growth in accumulated
25 depreciation."

1 Q. And isn't that the exercise I tried to go
2 through with you on the FERC Form 1?

3 A. There's an additional sentence that's
4 relevant.

5 Q. Thank you.

6 A. On page 8, line n, or paragraph n, third
7 sentence, "The carrying charge rate will instead
8 include elements to allow the Company an opportunity
9 to recover property taxes, commercial activity tax,
10 and associated income taxes and earn a return on and
11 of plant in-service associated with distribution net
12 investment associated with Federal Energy Regulatory
13 Commission (FERC) Plant Accounts 360 through 374."

14 That's what limits the accounts to just
15 those distribution accounts that I referred to.

16 Q. Yes, I guess I am looking for the change
17 in the distribution net plant language as it's found
18 in your Exhibit WAA-2, page 1 of 2.

19 A. And I think I've answered your question.
20 It's the net capital additions. Net capital
21 additions would be the electric plant in-service
22 change between those two years.

23 And then secondarily, in that same
24 sentence it says "adjusted for growth in accumulated
25 depreciation." The growth in accumulated

1 depreciation would be the change in the accumulated
2 depreciation balances between 2000 and the second
3 quarter of 2011 in the case we are just describing
4 here.

5 Q. I guess I am not understanding,
6 Mr. Allen, why we are deducting the 731,216,849 from
7 that figure.

8 A. The 731,216,849 value showing on line 4
9 is the combination of the -- it's the net of the
10 distribution plant investment electric plant
11 in-service from 2000 and the accumulated depreciation
12 from 2000 is the -- is the delta. So that's how you
13 get the 731, so that's your starting point.

14 Q. Correct.

15 A. And then you have to look at how that net
16 plant changes from 2000 to today. So to get that
17 change you have to take today's balance minus the
18 balance that occurred in 2000. That would give you
19 the change.

20 Q. And, again, can you point me to the
21 portion of the stipulation that talks about the
22 change in the distribution net plant?

23 A. It's the same sentence that I have read
24 to you a couple of times, "The net capital additions
25 included for recognition under the DIR will reflect

1 gross plant in-service incurred post-2000 adjusted
2 for growth in accumulated depreciation."

3 Q. So gross plant incurred since 2000 would
4 be changes in gross plant that occurred from 2000 to
5 present; is that correct?

6 THE WITNESS: I'm sorry, can I have the
7 question reread.

8 (Record read.)

9 A. Just to be clear, because I think you had
10 a couple of missing words in your question, gross
11 plant in-service incurred post-2000 would be the
12 change in the electric plant in-service balance in
13 2011 as compared to the balance that existed in 2000.

14 And then growth in accumulated
15 depreciation would be the change in the accumulated
16 depreciation that occurred in 2011 as compared to
17 2000.

18 Q. I think I'm following you.

19 A. Okay.

20 Q. Now, if we look at attachment 2 to OCC
21 Exhibit No. 3, we would see the electric plant
22 in-service for the Columbus Southern Power Company;
23 is that correct?

24 A. Electric plant in-service and accumulated
25 provision for Columbus Southern Power, that's

1 correct.

2 Q. And we would go to line 8 entitled
3 "Distribution" and find a figure of 1,817,746,081; is
4 that correct?

5 A. That's the plant in-service balance at
6 the end of the second quarter of 2011.

7 Q. Then we can take that plant in-service
8 balance and subtract the accumulated depreciation and
9 amortization balance of 767,578,214, correct?

10 A. Yes, that's correct.

11 Q. And then if we go to WAA-2, page 1 of 2,
12 we would then subtract from that amount the
13 642,403,044 to get the change in distribution net
14 plant upon which the carrying charges would be
15 calculated; is that correct?

16 A. Yes, that's correct.

17 Q. Now, under the stipulation, the carrying
18 charges would be established at a rate that would
19 include elements for property taxes, commercial
20 activity tax, associated income tax, and allow a
21 return on and of plant in-service; is that correct?

22 A. That's correct.

23 Q. Have you calculated the exact carrying
24 charge that would be used on the DIR investment?

25 A. If you refer to Exhibit WAA-2, page 2 of

1 2, line 23, on that exhibit that's where I calculate
2 what the carrying charge would be based upon the
3 stipulation.

4 The average depreciation rate on line 22
5 has been left blank on that page because that's
6 currently the subject of a separate Commission
7 proceeding in the companies' distribution base rate
8 case.

9 Q. And where on that schedule would I find
10 the impact of including a rate -- a carrying charge
11 rate that has property taxes, commercial activity
12 tax, and associated income tax in it?

13 A. To determine the carrying charge rate you
14 would take the 11.23 percent pretax back that shows
15 up on line 4 of that schedule.

16 Q. Yes.

17 A. To that you would add 5.917 percent that
18 shows up on line 21 of that schedule.

19 Q. Okay.

20 A. And the remaining number that you would
21 need to add on line 21 is the depreciation rate which
22 is going to be approximately 3 percent.

23 Q. So are you saying that the recovery of
24 those tax amounts is already included in one of those
25 figures that you just ran through for me?

1 A. The property taxes and the commercial
2 activity tax all show up in line 21.

3 Q. Yes.

4 A. The income taxes show up in the pretax
5 back rate on line 4.

6 Q. Okay. So we're at approximately
7 19.4 percent without considering the depreciation
8 rate; is that correct, for the carrying costs?

9 A. Can you please reread the question?

10 Q. Sure. When we were going through the
11 carrying charge calculation and we were -- I was
12 trying to determine what the carrying costs on the
13 distribution investment rider investment is, you
14 indicated that I should add 5.917, 11.23 percent, and
15 a 3 percent rate, and my question is without the
16 depreciation being added, which you said is the
17 subject of another proceeding, are we at a carrying
18 cost rate of approximately 19.4 percent?

19 A. No. We would take the -- if you are
20 going before the change in depreciation rates.

21 Q. Yes.

22 A. You would take the 11.23 percent in line
23 4, add to that the 5.917 percent --

24 Q. I'm sorry.

25 A. -- in line 21.

1 Q. Yes.

2 A. And that would get you 17.15 percent. To
3 that you would add an estimate of the depreciation.

4 Q. Okay. And the estimate that you have
5 given me, and I don't take very good notes, that's
6 why I'm asking, was the 3 percent depreciation rate;
7 is that right?

8 A. Based on my recollection, the
9 depreciation rate in the case will be between 3 and
10 4 percent.

11 Q. So we are at about 20 percent including
12 the depreciation rate and giving that the value of
13 about 3 percent?

14 A. That's correct.

15 Q. And that carrying -- carrying charge
16 would allow a return on and of the DIR investment; is
17 that correct?

18 A. It would allow return on and of the net
19 plant investment.

20 Q. And when we talk about a return of, we
21 are just indicating it will allow you to collect
22 depreciation on that investment; is that right?

23 A. That's correct.

24 Q. Now, in order to collect -- let me strike
25 that.

1 Is there any minimum amount of
2 distribution investment that the company would be
3 required to make under the stipulation?

4 A. No.

5 Q. In fact, wouldn't the company, as the
6 stipulation is written, collect money under the
7 distribution investments rider just based on the
8 carrying costs being incurred on investments as we
9 sit here today?

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

11 Q. And why don't you know that to be true?

12 A. If the company were not to invest in
13 distribution assets going forward, the net plant
14 balance would decline in 2012, 2013, and 2014 due to
15 the increase in accumulated depreciation. That would
16 result in the DIR declining over time.

17 Q. Is -- but in order to collect carrying
18 charges you just need a positive balance on the DIR;
19 isn't that correct?

20 A. The level of collections under the DIR
21 will be based upon the net investments that the
22 company makes, so the DIR revenues will decline over
23 time if the company doesn't make investments that at
24 a minimum exceed the accumulated depreciation.

25 Q. Understood. Is it -- let me strike that.

1 Would the company recover revenues under
2 the DIR rider for 2012 if it makes no additional
3 distribution investments beyond today, October 5,
4 2011 -- or 6? I don't know what day it is.

5 A. Yes. The company would recover some
6 level of DIR revenues in 2012 even if it didn't make
7 an investment post-today.

8 Q. And do you know what amount of DIR
9 investment it would recover under that scenario?

10 A. It would be based upon the net plant that
11 exists today reduced for accumulated depreciation
12 that's going to occur from today until the end of the
13 year, and then you'll plug those numbers into the
14 calculation that I have provided in Exhibit WAA-2 to
15 determine what the level of DIR revenues would be.

16 Q. And do you know what that level would be?

17 A. No, because it's based on a lot of moving
18 parts including plant retirements that may occur,
19 which do occur on a regular basis in the distribution
20 business, so I couldn't give you an answer to that
21 today.

22 Q. Now, under the stipulation, Mr. Allen,
23 there are caps of 86 million in 2012, 104 million in
24 2013, and 124 million in 2014; is that correct?

25 A. That's correct.

1 Q. And what happens in the first five months
2 of 2015?

3 A. The \$214 million annual revenue
4 requirement that exists in 2014 would continue in
5 2015, so in calculating the DIR rate, assuming that
6 base distribution revenues were the same in 2014 and
7 2015, the DIR rate would stay the same for both
8 years.

9 So in those first five months, assuming
10 load is level over the entire year, the companies
11 under the DIR would recover approximately 5/12 of the
12 124 million.

13 Q. Now, is it your understanding that the
14 term of the stipulation extends to 2016?

15 A. Yes.

16 Q. And is there any impact of the additional
17 year into 2016 -- let me strike that.

18 There is no DIR rider into 2016; is that
19 correct?

20 A. That's correct.

21 Q. Now, the DIR caps in the stipulation,
22 those are total AEP Ohio caps; is that correct?

23 A. Yes, they are.

24 Q. Would you agree with me, Mr. Allen, that
25 the yearly caps established on -- under the

1 stipulation were negotiated?

2 A. Yes.

3 Q. And that they were not based on any
4 specific distribution investment needs pertaining to
5 the reliability of the AEP Ohio system?

6 A. The increases -- the increases in the cap
7 annually allow the company an opportunity to continue
8 to invest in the distribution assets of AEP Ohio to
9 improve the reliability of the system over time.

10 Q. And I appreciate your response,
11 Mr. Allen, but I don't think you answered my
12 question.

13 My question is would you agree with me
14 that the yearly caps were not based on any specific
15 distribution investment needs pertaining to the
16 reliability of the AEP Ohio system?

17 A. No, I wouldn't agree with that. When the
18 company looked at the annual increases in the DIR
19 revenues under the cap, one thing we looked at were
20 the projected plant additions that were included in
21 the testimony of Company Witness Kirkpatrick in the
22 distribution case.

23 And I think that testimony was also
24 within the ESP case so we looked at those investments
25 that were intended to deal with reliability issues in

1 Ohio in order to determine what level of a cap would
2 provide the company an opportunity to earn a return
3 on and of those new investments.

4 MS. GRADY: May I have a moment, your
5 Honor?

6 EXAMINER TAUBER: You may.

7 Q. Now, we talked a few moments ago about
8 the fact that under the stipulation that AEP Ohio in
9 order to collect carrying charges under the DIR for
10 this year, 2012 -- or for 2012 we talked about the
11 fact that it would not have to make any additional
12 distribution investments. Do you recall those lines
13 of questions?

14 A. I recall your questions.

15 Q. Now, under that scenario, the scenario
16 being that the companies did not make any new
17 distribution investment but just sought carrying
18 charges on that investment, what would the annual
19 prudence review of that look like?

20 A. So your hypothetical is the company made
21 no distribution investments?

22 Q. Correct. As is permitted under the
23 stipulation, correct?

24 A. Under that hypothetical there wouldn't be
25 any investments to do a prudence review on but there

1 are other requirements in Ohio law that required the
2 company to maintain certain levels of reliability,
3 SAIDI and SAIFI criteria, that would ensure that the
4 company is making -- the company is doing what it
5 needs to do to maintain reliability in Ohio.

6 Q. So under my hypothetical for 2012 there
7 would be no need for a prudence review and no purpose
8 of a prudence review?

9 A. Under your hypothetical I actually do
10 believe there would be a prudence review to deal with
11 the investments that have occurred up until now.
12 There would be no prudence review for the investments
13 that may -- that were not made from today going
14 forward. But there would be a prudence review of the
15 investments that were made to date.

16 Q. So it's your understanding the very first
17 prudence review the commit -- the independent auditor
18 would be reviewing the entire investments made
19 post-2000 for prudence; is that -- is that what you
20 are testifying to today?

21 A. No. I don't think that would be an
22 effective use of the auditor's resources. I think
23 the fact that the Commission staff has undertaken a
24 significant audit as part of the distribution case
25 that is currently underway that had a date certain of

1 August, 2010, that the initial prudence review would
2 only look at the new investments that happened after
3 that point in time.

4 Q. I'm glad you talked about the
5 distribution case because that's just where my next
6 line of questions are going.

7 A. Okay.

8 MS. GRADY: Your Honor, at this time I
9 would ask that administrative notice be taken of the
10 following items: Your Honor, we would ask for
11 administrative notice of the application made by the
12 companies in 11-352-EL-AIR, and specifically within
13 that filing we would ask that the OP and CSP
14 Schedules A1 and B1 with the jurisdictional rate base
15 less the reserve for accumulated depreciation be
16 taken administrative notice of.

17 EXAMINER SEE: I'm sorry, Ms. Grady.
18 State the title of the schedule again, please.

19 MS. GRADY: I'm sorry. Ohio Power and
20 CSP Schedules A1 and B1 which contain the
21 jurisdictional rate base requested for OP of 1
22 million -- 1,000,015,236 and for CSP 910,953,000.

23 Secondly, we would ask that the rate of
24 return being requested by each of the companies on
25 that jurisdictional rate base be administratively

1 noticed. For Ohio Power that would be 8.43 percent
2 and CSP 8.36 percent.

3 EXAMINER SEE: Say that percentage one
4 more time.

5 MS. GRADY: 8.43 percent for OP and
6 8.36 percent for CSP.

7 No. 3, we would ask for administrative
8 notice of Schedules C1 and C2 for both of those
9 companies which includes the depreciation and
10 amortization expenses requested along with the tax
11 expenses requested.

12 MR. NOURSE: Your Honor, could I
13 interrupt for just one moment? If you are going
14 through various parts in the application you would
15 like to take administrative notice of, I would
16 suggest we just take administrative notice of the
17 entire application.

18 MS. GRADY: I was trying to be a little
19 more targeted.

20 MR. NOURSE: It's not going into the
21 record, you are just taking administrative notice, so
22 I would suggest taking the whole thing if we are
23 going to do that.

24 MS. GRADY: That's not my request.

25 MR. NOURSE: Otherwise we would object,

1 so that's what I'm suggesting, to save time.

2 MS. GRADY: I've got two more items that
3 I was specifically requesting administrative notice
4 of.

5 EXAMINER SEE: Okay. Hold on for just a
6 minute, Ms. Grady.

7 (Discussion off the record.)

8 EXAMINER SEE: Continue with your list,
9 Ms. Grady.

10 MS. GRADY: Thank you, your Honor.

11 We would ask administrative notice of the
12 date certain in that case be taken and the date
13 certain being August 31, 2010.

14 And finally we would ask for
15 administrative notice of the test year being taken
16 and that is the 12 months ending May 31, 2011.

17 And just very briefly under the Ohio
18 Rules of Evidence, Rule 201, the PUCO may take
19 administrative notice of any adjudicative fact that
20 is not subject to reasonable dispute. The facts
21 pertaining to the utilities' filing at the PUCO
22 dockets are facts that can be administratively
23 noticed. The filing and the schedules are capable of
24 accurate and ready determination by reviewing the
25 application on file, and the PUCO precedent supports

1 the taking of administrative notice of documents
2 filed in other cases for the Bench's consideration.

3 An example of the Commission's ruling on
4 such documents and the granting of administrative
5 notice we would point to the Columbia Gas of Ohio
6 Inc., Case No. 04-1680-GA-UNC, entry on rehearing at
7 14 dated March 6, 2005.

8 MR. NOURSE: Okay. May I respond, your
9 Honor?

10 EXAMINER SEE: Yes.

11 MR. NOURSE: As far as taking
12 administrative notice of the companies' application,
13 the companies have no objection to that provided the
14 entire application is noticed.

15 We are not copying materials to put them
16 in the record, and she may be asking about certain
17 parts in her cross and not covering others, but
18 the -- I think there still would need to be some
19 connection obviously with her -- with Mr. Allen's
20 testimony relative to the questions she wants to ask
21 about any portion of the application.

22 We will take that with -- as the
23 questions come but, your Honor, the taking
24 administrative notice doesn't mean that it's evidence
25 that could be relied on for the truth of the matter

1 asserted or facts -- factual information would be
2 disputed, and I assume Ms. Grady is not saying that
3 she agrees with our Schedule A1, for example, in the
4 application when she wants to take administrative
5 notice of it.

6 MS. GRADY: Simply the fact that you have
7 requested the opportunity to return -- earn a return
8 on and of certain elements as well as certain
9 expenses you've requested a recovery from, not the
10 truth of whether those are appropriate requests.

11 MR. NOURSE: So my assumption is correct,
12 I think.

13 MS. GRADY: Correct.

14 EXAMINER TAUBER: At this time we would
15 take notice of the whole application.

16 MS. GRADY: Thank you, your Honor.

17 Your Honor, I do have quite a bit more
18 for Mr. Allen. If now would be an appropriate time
19 to break, this would be a good breaking point.

20 EXAMINER SEE: Let's go off the record
21 for a minute.

22 (Discussion off the record.)

23 EXAMINER SEE: It is now 12:15. We are
24 going to take a lunch break and reconvene at 1:30.
25 We will resume cross-examination of Mr. Allen.

1 (Thereupon, at 12:15 p.m. a lunch recess
2 was taken.)
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1 Thursday Afternoon Session,
2 October 6, 2011.

3 - - -

4 EXAMINER SEE: Let's go back on the
5 record.

6 Ms. Grady.

7 MS. GRADY: Thank you, your Honor.

8 Your Honor, as a housekeeping matter,
9 before lunch we -- OCC moved for administrative
10 notice pertaining to the Case No. 11-352-EL-AIR, I
11 wanted to make clear that it would also be
12 associate -- that is the Ohio Power distribution
13 case.

14 And that the administrative notice should
15 also pertain to the Columbus Southern Power
16 distribution case which is 11-351-EL-AIR, if it's not
17 clear.

18 EXAMINER SEE: Okay.

19 MS. GRADY: Thank you.

20 - - -

21 WILLIAM A. ALLEN

22 being previously duly sworn, as prescribed by law,
23 was examined and testified further as follows:

24 CROSS-EXAMINATION (Continued)

25

1 By Ms. Grady:

2 Q. Good afternoon, Mr. Allen.

3 A. Good afternoon.

4 Q. A couple of things that I thought about
5 over lunch and so I wanted to get back to those.

6 Do you recall our discussion about the
7 20.03 percent carrying costs that are permitted under
8 the stipulation on the distribution investment
9 post-2000?

10 A. I remember us discussing a carrying
11 charge of approximately 20 percent, yes.

12 Q. And we said 20 percent would be based
13 upon assuming a 3 percent rate for depreciation,
14 correct?

15 A. 3 to 4 percent depreciation, yes.

16 Q. Now, if we assume that there is a 20
17 percent carrying cost on a \$400 million rate base
18 investment, that would produce \$80 million in
19 revenues; is that correct?

20 A. An increase in the net plant of
21 \$400 million would produce approximately an \$80
22 million DIR revenue requirement.

23 Q. And, Mr. Allen, is it your understanding
24 that the incremental distribution plant that is
25 referred to under the stipulation for Ohio Power

1 would -- would be at least equal to or greater than
2 \$400 million?

3 A. Through what date are you referring?

4 Q. Through present date.

5 A. By "present date" do you mean the second
6 quarter of 2011?

7 Q. Yes. That would be a good date to
8 choose.

9 MR. NOURSE: I'm sorry, was that for Ohio
10 Power only?

11 MS. GRADY: Yes. I am dealing with one
12 at a time.

13 A. Can you repeat the question, please?

14 Q. Yes. Mr. Allen, at the end of second
15 quarter, 2011, would you agree with me that the
16 incremental distribution plant referred to under the
17 stipulation for Ohio Power alone is at least equal to
18 or greater than \$400 million?

19 A. No, I would not.

20 Q. Can you tell me why you would not?

21 A. Doing the math here on the stand in my
22 head it appears that the amount would be somewhat
23 less than 400 million.

24 Q. And how much less?

25 A. It could potentially be 380 million.

1 Q. Okay. Thank you. Now, asking you the
2 same question with respect to CSP, is it your
3 understanding that the incremental distribution plant
4 referred to in the stipulation is, at the end of
5 second quarter 2011, at least equal to or greater
6 than \$400 million?

7 A. It would be approximately \$400 million,
8 but to clarify, one of the elements of the -- of
9 Exhibit WAA-2 is that there are a couple additional
10 adjustments that need to be made as you are working
11 through the calculation.

12 The first adjustment is you need to
13 remove the solar panels, correct gridSMART net plan
14 investments so those gridSMART investments would show
15 up in the CSP plant balances, so those would be
16 adjusted out.

17 And then on line 32 of Exhibit WAA-2
18 there's an additional reduction in the rider revenue
19 related to the distribution increase the companies'
20 received in 2006 in case 05-842 and 05-843. That was
21 the case where the companies' description at that
22 time was toggled rates between transmission and
23 distribution and so we reduced the DIR revenue
24 requirement for those incremental revenues that
25 occurred at that point in time.

1 Q. And do you know how much approximately
2 those reductions that you just mentioned would be?
3 In terms of an amount off of the -- incremental
4 distribution plant for CSP?

5 A. I don't know the value for the gridSMART
6 investments or the solar panel investments as we sit
7 here today. The equivalent value of the distribution
8 increase shown on line 23 if you were to convert it
9 from a revenue requirement to an increase in net
10 plant --

11 Q. Yes?

12 A. -- would be approximately \$40 million.
13 And for Ohio Power it would be approximately
14 \$60 million.

15 Q. Do you know approximately how much the
16 solar panel and the gridSMART rate -- or incremental
17 distribution plant offsets would be for --

18 A. I do not.

19 Q. Would you believe they would be -- do you
20 have a rough estimate?

21 A. No, I do not.

22 Q. And, again, when we talked about the caps
23 in the stipulation, those total company caps,
24 correct?

25 A. That's correct. And when you say "total

1 company," that's combined Ohio Power and CSP.

2 Q. Correct. And so if we were to determine
3 what the carrying -- or if we were to calculate the
4 revenue produced by the distribution investment
5 rider, we would apply the 20 percent, approximately
6 20 percent return to the rate base of both Ohio Power
7 and CSP?

8 A. To the net plant increase, yes, and
9 that's one of the benefits of having the caps in
10 place is that it mitigates the increase customers may
11 see. That was one of the elements added as part of
12 the stipulation.

13 Q. And would you agree with me that if you
14 add the incremental distribution plant referred to
15 under the stipulation for both Ohio Power and CSP, it
16 is likely that they would be equal to or greater than
17 \$400 million? Based upon our discussion here?

18 A. Yes, I believe so.

19 Q. Now, do you recall, Mr. Allen, the
20 cross-examination where we discussed the -- whether
21 or not the caps were based on any specific
22 distribution investment needs pertaining to the
23 reliability of the AEP Ohio system?

24 A. I recall that discussion.

25 MS. GRADY: May I approach the witness,

1 your Honor?

2 EXAMINER TAUBER: You may.

3 MS. GRADY: Your Honor, at this time I
4 would like to have marked as OCC Exhibit No. 4 a
5 single page document entitled "Columbus Southern
6 Power Companies', Ohio Power companies' Response to
7 the Office of Consumers' Counsel Interrogatory 373."

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Do you have that in front of you now,
10 Mr. Allen?

11 A. I do.

12 Q. And I am going to ask you if I read this
13 correctly.

14 "What specific distribution assets would
15 be replaced under the DIR proposed in the
16 Stipulation?"

17 And the response is "The Company has not
18 determined what specific assets would be replaced
19 under the DIR. See the testimony of Company Witness
20 Allen for a description of the DIR."

21 Did I read that correctly?

22 A. You did.

23 Q. And was that a response that was -- that
24 you are familiar with?

25 A. Yes, it is.

1 Q. And would it have been prepared by you or
2 under your supervision?

3 A. Yes, it was.

4 Q. Is that a true and accurate copy of that
5 response?

6 A. It is.

7 Q. Thank you. Now, before lunch -- the
8 lunch break, we were discussing the distribution case
9 filings of the company, specifically Case Numbers
10 11-351-EL-AIR and 11-352-EL-AIR. Do you recall some
11 of that discussion?

12 A. I do.

13 Q. And, Mr. Allen, are you aware of the fact
14 that in -- in the rate case filings for both Ohio
15 Power and CSP that you have requested rate base
16 inclusion for distribution plant in-service as of
17 date certain?

18 A. Yes, I am.

19 Q. And, Mr. Allen, you are aware, are you
20 not, that the company is requesting to earn a return
21 on that rate base in those distribution rate cases?

22 A. Yes, that's correct.

23 Q. Is it your understanding also, Mr. Allen,
24 that you have requested a return of the rate base
25 investment in the distribution cases for both CSP and

1 OP?

2 A. We've requested recovery of depreciation
3 expense, yes.

4 Q. Would it also be your understanding,
5 Mr. Allen, that you have as part of the test year
6 expenses requested to collect such items as property
7 taxes and commercial and activity tax and associated
8 income tax pertaining to the date certain
9 distribution investment requested?

10 A. Yes, that's correct.

11 Q. Now, Mr. Allen, we are ready to move on.
12 My next set of questions are with respect to the
13 testimony you present on the RPM set-aside allotment
14 rules. That testimony is found on pages 12 through
15 15. Do you have that reference?

16 A. Yes, I do.

17 Q. Now, you indicate on lines 22 through 23
18 that in order to preserve and expand retail shopping
19 in Ohio, the Company agreed to provide fixed and
20 annually increasing amount of its capacity at the
21 RP -- at an RPM set-aside price; is that correct?

22 A. I said it a little differently, but
23 generally.

24 Q. Thank you. And when you talk about
25 preserving and expanding the retail shopping, are you

1 talking about preserving and expanding retail
2 shopping for all customer classes?

3 A. Yes.

4 Q. And that would be for the company
5 commercial, industrial, as well as residential,
6 correct?

7 A. Yes.

8 Q. And you indicate, do you not, that there
9 were rules developed to provide a structured approach
10 to this -- to this shopping and they were called the
11 RPM set-aside rules; is that right?

12 A. Yes.

13 Q. And those are contained on Appendix C to
14 the stipulation?

15 A. They are included in the Appendix C and
16 the detailed implementation plan that was filed
17 yesterday.

18 Q. And is it your understanding that the
19 detailed implementation plan updates Appendix C of
20 the stipulation? Or provides more clarification for
21 Appendix C?

22 A. It updates, provides additional
23 clarification, and to the extent that they conflict,
24 the detailed implementation plan would supercede
25 Appendix C.

1 Q. Now, under the -- the RPM set-aside
2 allotment rules that were filed yesterday, the RPM
3 capacity set-aside is initially allocated on a pro
4 rata basis, is it not? And when I say "initially
5 allocated," I mean for the 2012 period, annual
6 period.

7 A. There are two steps that occur to
8 determine the initial allocation. The first step is
9 to distribution, what the pro rata allocation of the
10 RPM set-aside would be based upon forecasted sales.

11 Q. Yes.

12 A. The second step is to determine if any of
13 the customer classes had exceeded those allotments as
14 of September 7, and to the extent that any of those
15 classes did exceed the -- their initial pro rata
16 allocation, the initial RPM set-aside is modified
17 such that the allocations to the other classes are
18 reduced such that the total allocation remains at the
19 21 percent in the stipulation.

20 Q. Now, the additional allocation is for the
21 time period of 2012; is that correct?

22 A. The initial RPM set-aside is for 2012.

23 Q. And you -- the initial set-aside for 2012
24 is 21 percent; is that correct?

25 A. The initial set-aside for 2012 is

1 21 percent of AEP Ohio's annual kilowatt hour sales
2 based on the 24 months ended July 31, 2011, which
3 was 47,023,697,140 kilowatt hours.

4 Q. Now, under that allotment, if any
5 customer class as of September 7, 2011, exceeds the
6 21 percent, then you said the allocation to the
7 remaining customer classes are reduced on a pro rata
8 basis such that the total allotment is not exceeding
9 21 percent; is that a fair characterization?

10 A. To the extent that any one of the
11 customer classes exceeded their pro rata
12 allocation --

13 Q. Yes.

14 A. -- then the other classes would be
15 adjusted such as the 21 percent was not exceeded in
16 total.

17 Q. Okay. Now, you also spoke of two steps,
18 did you not? You said the first is step is
19 determining the pro rata allocation of the RPM
20 set-aside on a customer class basis; is that correct?

21 A. Can you reread the question, please?

22 Q. Sure. I think, Mr. Allen, you referred
23 to a two-step process with respect to the RPM
24 set-aside for 2012. I believe the first step you
25 indicated was a determination of the pro rata

1 allocation of the RPM set-aside per customer class.

2 Is that a correct characterization of the
3 step 1 in that allotment?

4 A. In the pro rata allocation is based upon
5 project kilowatt hour sales by class?

6 Q. Yes. Now, AEP has done that pro rata
7 allocation of RPM set-aside, has it not?

8 A. Yes.

9 Q. And can you tell me or would you agree,
10 subject to check, that the pro rata allocation of RPM
11 set-aside for residential customers was 3,071,897
12 megawatt hours; is that correct?

13 A. I'm referring to the website printout
14 that you provided in your exhibits and the initial
15 allocation of the RPM set-aside was 3,071,897
16 megawatt hours, and that's correct to documents I
17 have myself as well.

18 MS. GRADY: At this time OCC would like
19 marked as OCC Exhibit No. 5 the web page AEP Ohio
20 Competitive Retail Electric Providers, two-page
21 document entitled Customer Choice, if that could be
22 marked for identification purposes as OCC Exhibit No.
23 5.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. Is that the document, Mr. Allen, that you

1 were referring to which contains the pro rata
2 allocation of RPM set-aside for not only residential
3 but also for industrial and commercial?

4 A. As well as total, yes.

5 Q. Okay. Are you familiar with this web
6 page?

7 A. Yes. I was responsible for preparing the
8 information to be posted on the companies' website.

9 Q. And is this page -- does this page appear
10 to be a current page, if you know?

11 A. Yes, does. It appears to be current.

12 Q. And is this a true and accurate copy of
13 the web page to your knowledge?

14 A. To the best of my ability -- abilities as
15 I sit here today, it appears to be a true and
16 accurate representation.

17 Q. Now, if I wanted to bring this up on my
18 computer, I will just merely type the address found
19 down at the very bottom of the page; is that correct?

20 A. I don't know that to be true based on the
21 information I have, there is a different website that
22 gets you to the same place but it's available on the
23 companies' Customer Choice website.

24 Q. Thank you.

25 Now, that information, the pro rata

1 allocation of the RPM set-aside, that is a final
2 allocation, it is not, a tentative or an estimated
3 allocation, is it?

4 A. There are a couple of columns in that
5 table so I want to be clear about which of those
6 columns are final and which of those columns are
7 tentative.

8 Q. Yes. And my question really goes to the
9 column -- the second column that says "Pro Rata
10 Allocation of RPM Set-Aside."

11 A. That column would be a final value.

12 Q. Thank you.

13 Now, looking at the next column over to
14 the right entitled "Initial RPM Set-Aside," can you
15 tell me what that column represents?

16 A. That represents the allotments that the
17 company estimates would have been awarded as of
18 September 7, 2011 -- I'm sorry, that's what the
19 fourth column represents. The third column, the
20 "Initial Set-Aside."

21 Q. Yes.

22 A. That represents the companies' estimate
23 of what the initial RPM set-aside would be based upon
24 the allotments that were awarded as of September 7,
25 2011.

1 Q. Okay. And the next column in the column
2 that's entitled "Allotments Awarded as of
3 September 7, 2011," what does that represent?

4 A. That represents the allotments that the
5 company estimates would be awarded based upon data
6 that the company had as of September 7 for customers
7 switching based upon the assumption that the
8 stipulation is approved as filed.

9 Q. And when you say awarded, allotments
10 awarded, does that equate to customers qualifying
11 under the rules set forth in Appendix C?

12 A. Those allotments would identify customers
13 that would be awarded an allotment of RPM set-aside
14 capacity for their CRES provider to purchase from AEP
15 Ohio.

16 Q. And that's the same -- that's the same
17 thing as the -- what is found in the allotments set
18 forth in Appendix C are what is essentially contained
19 in the type -- in the column entitled "Allotments
20 Awarded as of September 7, 2011"? Those would be
21 consistent?

22 A. Appendix C describes the process by which
23 allotments would be awarded. This column describes
24 the actual allotments that were awarded based upon
25 the detailed implementation plan rules to the extent

1 that they differ from the information that was
2 contained in Appendix C. So the allotments --

3 Q. The allotments awarded on September 7,
4 2011, on OCC Exhibit No., I think we said 5, are
5 allotments as calculated in your opinion consistently
6 with the RPM set-aside rules associated with the
7 stipulation?

8 A. Yes, with the caveat that they are done
9 consistent with the detailed implementation plan that
10 was referenced within the stipulation.

11 Q. And if -- if I wanted to tie the
12 Allotments Awarded as of September 7, 2011, column
13 into the stipulation, that would refer to customers
14 in Groups 1, 2, and 4; is that right?

15 A. As of September 11, 2011, the only
16 customers that can receive allotments by definition
17 are customers within Groups 1, 2, and 4.

18 Q. Yes. And those customers in those
19 groups, they are essentially being served or have
20 served a 90-day notice of intent to be served by a
21 CRES prior to September 7?

22 A. That's correct.

23 Q. And the customers who have to give 90-day
24 notice, that would only relate to commercial and
25 industrial customers and not residential?

1 A. That's my understanding, yes.

2 Q. And do you have an understanding as to
3 why September 7 was the date chosen for the sort of
4 the key date in awarding allotments?

5 A. That was the date that the stipulation
6 was signed.

7 Q. Now, let's move along to the last column
8 which says "Unallocated Allotments as of September 7,
9 2011." Can you tell me what that -- explain to me
10 what that means?

11 A. That is simply the difference between the
12 initial RPM set-aside and the allotments awarded as
13 of September 7. So in the instance of the
14 residential class, the 2,432,211 megawatt hours of
15 unallocated allotments are the difference between the
16 initial RPM set-aside for the residential class and
17 allotments awarded as of September 7, 2011, and that
18 represents the amount of allotments that residential
19 customers have available to them through December 31,
20 2011.

21 Q. And that indicates on that column that's
22 as of September 7, 2011, correct?

23 A. Yes, it does.

24 Q. Now, if I look at that column, I see that
25 there are no allotments for commercial customers

1 left; is that correct?

2 A. That's correct. The -- because the
3 commercial class had an initial -- since the
4 commercial class had customers in Groups 1, 2, and 4
5 that exceeded the pro rata allocation of RPM
6 set-aside, there is no additional allotments
7 available -- there are no additional unallocated
8 allotments available for the commercial class until
9 2012, at which time if there are additional
10 unallocated allotments that are not used by the
11 residential or industrial class, those would be
12 available then for any class to use.

13 Q. Now, this is as of September 7, 2011,
14 correct?

15 A. That's correct.

16 Q. Now, there is also an indication, is
17 there not, on this website, that the 2012 capacity
18 allotments for industrial customers have also been
19 awarded completely; is that -- is that correct? Do
20 you see that?

21 A. Based upon preliminary information that
22 the company had available as of September 23 when
23 this analysis was done, the companies believed that
24 all of the available RPM price capacity allotments
25 for 2012 had been awarded for the industrial class,

1 but it has the same caveat that if another class,
2 residential or even a commercial -- commercial,
3 switched back to the company, made allotments
4 available, there still would be the opportunity for
5 industrial customers to seek allotments in 2012.

6 Q. Now, the only customers then as of -- as
7 of the time that you have done this analysis,
8 September 23, 2011, that have not used up the
9 allotments would be the residential customers.

10 A. Based upon the information we had as of
11 September 23, it appears the only class that has
12 available allotments -- available unallocated
13 allotment is the residential class.

14 Q. Now, from this information can we tell if
15 the allotments to the commercial and industrial
16 customers have exceeded the 21 percent?

17 A. The allotments for the commercial class
18 exceeded 21 percent of their pro rata allocation of
19 the RPM set-aside. The industrial class has not
20 exceeded 21 percent because their cap was -- their
21 RPM set-aside was reduced below 21 percent as a
22 result of the status of the commercial class.

23 Q. Now, you have given me a lot of
24 information, and I am going to come back to that, but
25 I want to deal specifically with the data that's

1 shown on this web page.

2 From the data that's shown on this web
3 page, can we tell by how much the commercial
4 customers have exceeded their allotment?

5 A. The commercial class has not exceeded
6 their allotment. They have exceeded the 21 percent
7 of their pro rata of set-aside, but there is a second
8 step that the stipulation contemplated no customer
9 can actually exceed their allotments. Allotments are
10 only available up to that level.

11 Q. I apologize for not catching the
12 terminology. So what you are saying is that we can't
13 tell from this information whether the commercial
14 customers have exceeded their pro rata allocation.
15 All we can tell is that there is zero unallocated
16 allotments for the commercial customers, correct?

17 A. From this data you can see that on a
18 preliminary basis, that the commercial class has used
19 all of their initial RPM set-aside. Allotments can't
20 exceed the 21 percent. Customers can shop without an
21 allotment, but allotments are only related to an
22 allocation of RPM set-aside.

23 Q. Now, the information on OCC Exhibit No.
24 5 -- are we on 5, I think that's what it is, thank
25 you -- does not include customers who may have

1 provided a notice of intent to take service from a
2 CRES prior to September 7, does it?

3 A. It does include customers that have
4 provided their notice of intent to shop as of
5 September 7. That would be Group 4 customers. As
6 indicated on this page, Group 4 customers are
7 included within this analysis.

8 MS. GRADY: Your Honor, at this time I
9 would like to get into cross-examination on an OCC
10 exhibit that the company contends is competitively
11 sensitive confidential information, so it might be
12 appropriate at this time to clear the room of those
13 who have not signed the protective agreement and seal
14 the record.

15 MR. NOURSE: Okay. Can we go off the
16 record?

17 EXAMINER SEE: Yes. Let's go off the
18 record, but there are a few other parties that
19 indicated that they had cross-examination for
20 Mr. Allen. I would like to know of the parties that
21 intend to cross-examine Mr. Allen, are there any
22 others that plan on getting into competitively
23 sensitive information?

24 MR. KUTIK: Not at this time, your Honor.
25 Best I can give you.

1 EXAMINER SEE: I'm sorry?

2 MR. KUTIK: Not at this time, your Honor.

3 The best I can give you.

4 EXAMINER SEE: Okay.

5 MS. GRADY: Are we off the record?

6 MR. NOURSE: I thought you were saying --

7 EXAMINER SEE: Let's go off the record.

8 (Discussion off the record.)

9 (The following portion is under seal.)

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(The preceding portion is under seal.)

EXAMINER SEE: Then let's go back into the public portion of the record, and I would ask counsel for the companies to review the competitively sensitive portion of the record and see if it can be reduced just to that amount of testimony that reflects discussion of competitively sensitive information.

MR. NOURSE: Do you want us to do a proposed redaction or you are just saying any pages or how do you want to do that?

EXAMINER SEE: I would like to keep the portion that's protected as small as possible. So if you can redact question and answer and then the rest of it be in the public portion of the record, that would be fine.

MR. NOURSE: Okay. Thank you.

1 MS. GRADY: Thank you, your Honor.

2 Q. (By Ms. Grady) Let's go back for a moment
3 to 2012. I apologize for skipping back and forth.
4 It's a little -- a little complex and a little
5 difficult.

6 The -- in 2012 for the 2012 process
7 where -- the step 2 process where unallocated or
8 unused set-asides will then be reallocated, at what
9 point in time will it be known for reasonable
10 customers what their remaining piece of the pie is?

11 A. Are you referring to the amount that
12 would be reallocated after the end of December 31,
13 2011?

14 Q. Correct. And if that's the date, then --
15 yes. I am asking at what point in time will we know
16 for 2012 what the -- the concrete residential piece
17 of the RPM set-aside will be?

18 A. Combining January 1 of 2012, any
19 allotments that have not been awarded to a
20 residential customer would be combined with all other
21 unallocated allotments for either of the other two
22 classes.

23 And those allotments would then be
24 provided to the first customers, be they residential,
25 commercial, or industrial, that are in the queue for

1 allotments. So starting January 1 of 2012,
2 allotments no longer have a class-specific nature to
3 them.

4 Q. So on January 1, 2012, if I'm the
5 residential -- if I wanted to determine how much the
6 residential class as a whole had remaining of the RPM
7 allotments, I would -- you would be able to tell me.

8 A. No, I wouldn't, because there would be no
9 residential allotments as of January 1, 2012.
10 Allotments would be general allotments available to
11 any customer class. That term loses any meaning --

12 Q. Well, you would be able to tell me the
13 unused -- what was lost out of the initial allotment
14 allocation, correct?

15 A. We could identify the unallocated
16 allotments for the residential class that existed as
17 of December 31, 2011.

18 Q. Yes.

19 A. We could identify that amount, but they
20 wouldn't be set-aside for residential in 2012. They
21 would be available to any residential that wanted
22 them in '12.

23 Q. As well as available to any --

24 MR. NOURSE: Your Honor, could I make
25 sure the witness is finished before Maureen goes on

1 to her next question?

2 Q. I apologize.

3 A. But they wouldn't be specifically
4 available to any class; they would be available to
5 all classes on an equal basis.

6 Q. Including industrial and commercial?

7 A. Yes.

8 Q. Do you know, Mr. Allen, whether there are
9 any residential customers currently in Group 1?

10 A. Yes.

11 Q. There are?

12 A. Yes.

13 Q. Are there any customers -- residential
14 customers in Group 2?

15 A. I don't know.

16 Q. Do you know if there are any residential
17 customers in Group 3?

18 A. By definition there can be no residential
19 customers in Group 3 because they don't have
20 contracts.

21 Q. And how about residential customers in
22 Group 4? Do you know if there are any residential
23 customers in Group 4?

24 A. Once again, by definition residential
25 customers can't be in Group 4 because they don't

1 provide 90-day notice because they don't have
2 contracts with the company.

3 MS. GRADY: If I might have a moment, I
4 think I might be close to being done. If I could
5 have 2 minutes? Could we take a short break and I
6 will promise I will look through my notes and have a
7 very quick answer as to whether I'm done?

8 EXAMINER TAUBER: Let's take a 10-minute
9 recess at this time. We will reconvene at
10 3:00 o'clock.

11 MS. GRADY: Thank you.

12 (Recess taken.)

13 EXAMINER TAUBER: Let's go back on
14 record.

15 Ms. Grady.

16 MS. GRADY: Thank you, your Honor. I
17 have no further questions of Mr. Allen. At this time
18 OCC would move for the admission of Exhibits 2, 3, 4,
19 and 5.

20 EXAMINER TAUBER: Any objections to
21 Exhibits 2, 3, 4, and 5?

22 MR. NOURSE: Let me just review them
23 quickly, your Honor.

24 No objection from the companies.

25 MR. KUTIK: Have we established that 6 is

1 in or moved?

2 EXAMINER SEE: 6 was not moved.

3 MS. GRADY: I am not moving that in at
4 this time.

5 EXAMINER SEE: Okay.

6 EXAMINER TAUBER: Would Appalachian Peace
7 and Justice wish to engage in cross-examination?

8 MR. MASKOVYAK: I consulted with
9 FirstEnergy over lunch and they are going to be
10 asking many of the same questions, so in the interest
11 of judicial economy, I defer to them.

12 EXAMINER TAUBER: Mr. Kutik.

13 MR. KUTIK: Thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Kutik:

17 Q. Good afternoon. You have not testified
18 before the Commission before, correct?

19 A. I have not testified before the Public
20 Utilities Commission of Ohio; that's correct.

21 Q. Now, you have testified in a number of
22 other cases in other jurisdictions, correct?

23 A. Yes, I have.

24 Q. And would it be fair to say that the
25 large bulk of your testimony has related to fuel

1 forecasts and the impact on fuel adjustment clauses
2 or those types of clauses?

3 A. It would go beyond just fuel adjustment
4 clauses. It would include off-system sales, which is
5 PJM trackers, base case proceedings, so a variety of
6 cases.

7 Q. But it -- you did deal with fuel
8 forecasts in your -- in your other testimony,
9 correct?

10 A. That's correct.

11 Q. And in the job before the job you have
12 now, you were director of operating company
13 forecasts, correct?

14 A. That's correct.

15 Q. And you were part, either in that job or
16 just before that job, of the corporate financial
17 forecasting department, correct?

18 A. That's correct.

19 Q. Now, AEP does an enormous number of
20 forecasts on a variety of topics, correct?

21 A. I would say the company does a large
22 number of forecasts on a variety of topics.

23 Q. And forecasting is an important part of
24 the companies' business in terms of how the business
25 is to be run?

1 A. As would be the case for most -- most
2 large companies, forecasting is an important part of
3 the company.

4 Q. Sure. So forecasting can help form
5 business plans, correct?

6 A. The formation of business plans requires
7 a forecast to be done to support those business
8 plans. I wouldn't agree that financial forecasts
9 develop business plans.

10 Q. Okay. So forecasts to be -- can be done
11 to reflect business plans.

12 A. Forecasts can be done to reflect the
13 financial results of business plans based upon a set
14 of assumptions.

15 Q. Okay. So that the company may have
16 different types of budgets for different types of
17 scenarios, correct?

18 A. Your question began with a prefatory
19 phrase "so that," and I am not sure what you were
20 referring to prior to that.

21 Q. Well, wouldn't it be the case that
22 sometimes there would be different scenarios budgeted
23 dependent upon the outcome of future events?

24 A. Financial forecasts are developed using
25 different assumptions and reflect different

1 scenarios, that's correct.

2 Q. And the company would have different
3 financial plans for different contingencies, correct?

4 A. No, I don't think I would agree with
5 that.

6 Q. All right. Do you have your deposition
7 transcript with you, sir?

8 A. I do.

9 MR. KUTIK: May I approach the Bench,
10 your Honor?

11 EXAMINER TAUBER: You may.

12 Q. Mr. Allen, could you turn to page 35 of
13 your testimony, please.

14 MR. NOURSE: Deposition?

15 MR. KUTIK: Of your deposition, yes,
16 thank you.

17 A. I see.

18 Q. And was the testimony that you gave in
19 your deposition -- well, let me back up.

20 With respect to your deposition, that was
21 before a court reporter, correct?

22 A. Can you repeat the question?

23 Q. The deposition was before a court
24 reporter?

25 A. Yes, it was.

1 Q. You swore to -- took an oath in that
2 deposition, correct?

3 A. I did.

4 Q. And you also had the opportunity to
5 review the deposition transcript to correct any
6 errors.

7 A. I did.

8 Q. Now, with respect to your deposition
9 testimony starting at page 35, line 2, was your
10 testimony as follows:

11 Question: "Well, did the company make
12 plans for different -- different financial plans for
13 different contingencies?"

14 Answer: "Yes."

15 Is that your testimony?

16 A. That question was a follow up to several
17 questions relating to capital or construction
18 expenditure budgets.

19 Q. Was that your testimony, sir?

20 MR. NOURSE: Your Honor --

21 A. I am trying to answer your question, sir.

22 Q. Was that your testimony?

23 EXAMINER SEE: The witness can answer the
24 question.

25 A. In response to construction expenditure

1 forecasts and contingencies, my testimony was that
2 the company does make different plans, different
3 financial plans, for different contingencies related
4 to capital and construction expenditure forecasts.

5 Q. So that's one area where the company has
6 done financial plans for different contingencies,
7 correct?

8 A. Yes.

9 Q. Okay. Now, with respect to fuel costs,
10 those are typically forecasted on a quarterly basis,
11 are they not?

12 A. Fuel forecasts are run through our
13 financial model to get an end fuel forecast as it
14 relates to the impact on ultimate customers typically
15 on a quarterly basis.

16 Q. And the four -- there are forecasts for
17 fuel costs going out three or more years and they are
18 done at least once per year, correct?

19 A. Fuel forecasts that are run through the
20 complete financial forecasting model to determine the
21 impact of fuel costs on the fuel rates that retail
22 customers pay are done on a longer-term basis at
23 least once a year.

24 Q. And you are aware that the company has
25 estimates of its fuel costs for 2012, 2013, and 2014,

1 correct?

2 A. The company has prepared fuel forecasts
3 for the years 2012, '13, and '14, but I am not aware
4 of any forecast that reflect the underlying
5 assumptions incorporated in the stipulation.

6 Q. That's not my question.

7 The company has fuel cost forecasts for
8 the years 2012, 2013, and 2014, correct?

9 A. Not that reflect the assumptions in the
10 stipulation, but the company does prepare forecasts
11 and has previously prepared forecasts of fuel costs
12 for 2012, '13 and '14.

13 Q. So there are fuel cost forecasts for
14 2012, '13 and '14, correct?

15 MR. NOURSE: Your Honor, I believe it's
16 asked and answered already.

17 MR. KUTIK: I don't believe I have an
18 answer to the question. He is talking about the
19 stipulation. I haven't asked about the stipulation.

20 EXAMINER TAUBER: Would you please answer
21 his question.

22 THE WITNESS: I think I did. In the past
23 the company has prepared fuel forecasts for 2012, '13
24 and '14.

25 Q. And those forecasts presently exist, do

1 they not?

2 A. When a forecast is completed, it exists
3 into the future, whether or not the underlying
4 assumptions are still valid or not.

5 Q. And the company has -- has -- currently
6 has estimates of its power -- purchased power costs
7 for 2012, 2013, and 2014, correct?

8 A. The company in the past has prepared
9 forecasts of purchased power costs for 2012, '13, and
10 '14 that reflect a variety of assumptions, none of
11 which reflect the assumptions that are incorporated
12 into the stipulation.

13 Q. That's not my question.

14 My question is isn't it true that the
15 company currently has estimates of forecasts for
16 purchased power costs for 2012, 2013, and 2014?

17 A. The company has previously prepared
18 purchased power forecasts for the years 2012, '13,
19 and '14 --

20 Q. Thank you.

21 A. -- that reflect a variety of assumptions.
22 Those forecasts remain in existence today, but they
23 may not reflect assumptions that exist today.

24 Q. I didn't ask you about any assumptions.
25 I just said are there forecasts. There are such

1 forecasts; isn't that correct?

2 MR. NOURSE: Your Honors, it asked and
3 answered. He is giving a full answer to make it
4 clear in the context of this case.

5 EXAMINER TAUBER: Mr. Kutik, I believe he
6 answered the question.

7 Q. Now, your testimony, one of the purposes
8 of your testimony is to describe some of the riders,
9 correct?

10 A. That's correct.

11 Q. And one of the riders is rider GRR,
12 correct?

13 A. That's correct.

14 Q. And isn't it true you can't say that
15 rider GRR is generation related?

16 A. Since rider GRR would be a rider of the
17 distribution entity, I don't know whether it's
18 defined as a generation-related rider or not.

19 Q. So let's make sure we are clear on this.
20 Rider GRR stands for "generation resource rider,"
21 correct?

22 A. That's correct.

23 Q. And you don't -- you can't say whether a
24 generation resource rider is generation related; is
25 that your testimony?

1 A. No, it's not. I think your question was
2 would it be a generation rider.

3 Q. I didn't say that. I said whether it
4 would be generation related. Isn't it true you can't
5 say that it would be generation related?

6 A. Rider GRR would be generation related.

7 Q. Okay.

8 A. I thought your question was was it a
9 generation rider. I misunderstood your question.

10 Q. Let's look at your deposition, sir. Page
11 42, starting at line 9, was this your testimony?

12 Question: "Now, I want to talk to you a
13 little bit about rider GRR. You are familiar with
14 that, correct?"

15 Answer: "Yes, I am."

16 Question: "Is that proposed to be a
17 generation-related charge?"

18 Answer: "It's intended to be
19 nonbypass -- it's intended to be a nonbypassable
20 rider."

21 Question: "Is it intended to be a
22 generation-related charge?"

23 Answer: "I think that's a legal
24 conclusion that I can't make here today."

25 Question: "So you can't tell me whether

1 it's a generation-related charge, fair to say?"

2 Answer: "Yes. I think that was my
3 answer."

4 That was your testimony in your
5 deposition, correct?

6 A. That was my testimony in my deposition.

7 Q. Thank you.

8 Now, isn't it also true, sir, that the
9 company has not come up with an estimate for rider
10 GRR?

11 A. That's my understanding, correct.

12 Q. But you are aware that there is an
13 estimate of the revenue requirement for the Turning
14 Point Project.

15 A. I think the company has prepared an
16 estimate that they filed in a separate proceeding.

17 Q. Okay. You are aware of that, correct?

18 A. To the best of my memory, I understand
19 that we did put a revenue requirement in there. I
20 don't know if it went out for multiple years or if it
21 was just a single year. I just don't know.

22 Q. Let me have you turn to your deposition,
23 sir. Page 43, line 20, was it your testimony:

24 Question: "Okay. Do you know whether a -- any
25 estimate of revenue requirement for the Turning Point

1 Project has been prepared?"

2 Answer: "It's my understanding a revenue
3 requirement has been prepared associated with the
4 Turning Point facility."

5 That was your testimony in your
6 deposition, was it not?

7 A. And I think that's consistent with my
8 testimony that I just gave you a minute ago.

9 Q. No. You said you didn't know.

10 MR. NOURSE: Your Honor, I object.
11 Mr. Kutik is just reading deposition transcript into
12 the record without establishing any conflict or any
13 need to refresh or impeach.

14 MR. KUTIK: He just said --

15 EXAMINER SEE: Just a minute, Mr. Kutik.

16 MR. NOURSE: He already said he -- he was
17 aware it was filed. He wasn't aware of the details.

18 MR. KUTIK: That wasn't what he testified
19 to.

20 MR. NOURSE: That's what he just read
21 into the record.

22 MR. KUTIK: He said he didn't know.
23 First, he said he thought it was, and then he said
24 no. So I'm entitled to impeach. In his deposition
25 he knew.

1 EXAMINER SEE: You are entitled to
2 attempt to impeach his testimony using the deposition
3 but let's give him a chance to.

4 MR. KUTIK: He --

5 EXAMINER SEE: -- answer.

6 MR. KUTIK: Thank you, your Honor.

7 EXAMINER SEE: Respect the Bench as well
8 as co-counsel.

9 MR. KUTIK: Yes, your Honor.

10 EXAMINER SEE: And other counsel who are
11 in the room, okay?

12 MR. KUTIK: Thank you, your Honor. May I
13 proceed?

14 EXAMINER SEE: Yes.

15 MR. KUTIK: Thank you.

16 Q. (By Mr. Kutik) It's true, is it not, that
17 you don't know whether AEP Ohio intends to own the
18 Turning Point facility?

19 A. That's correct.

20 Q. And you don't know whether by approving
21 the stipulation the Commission is approving who would
22 own the Turning Point facility?

23 A. That's correct.

24 Q. And you don't know what the companies'
25 intent is in terms of what will happen to the power

1 that would be produced by the Turning Point Project?

2 A. Can you repeat the question?

3 Q. Sure. You don't know what the companies'
4 intent is in terms of what will happen to the power
5 produced by Turning Point or the generation produced
6 by Turning Point?

7 A. The Turning Point facility is approved
8 for inclusion in the GRR and the Turning Point
9 facility, if a separate application is approved for
10 cost recovery, that power from Turning Point during
11 the period prior to corporate separation would be
12 power that would be assigned to AEP Ohio.

13 Q. Let me have you turn to page 50 of your
14 deposition. Starting at page -- line 3, was it your
15 testimony:

16 Question: "Okay. What is the company's
17 intent in terms of what will happen with the power
18 that's generated from the Turning Point Project?"

19 Answer: "I don't know."

20 Was that your testimony in your
21 deposition, sir?

22 A. That response was in the context of your
23 prior question that said "By approving this
24 stipulation, is the Commission agreeing to anything
25 regarding the prudence of the Turning Point Project?"

1 Q. And the next question was what's -- was
2 it -- "What's the company's intent in terms of what
3 will happen with the power that's generated from the
4 Turning Point Project?"

5 And you said "I don't know."

6 That was your testimony, correct?

7 A. That was my testimony with regard -- with
8 what would happen to the power from the Turning Point
9 Project, if the Commission either didn't approve
10 Turning Point for inclusion in the stipulation,
11 didn't include it as part of the separate proceeding.

12 So I think in the discussion we were
13 having there it was a much broader context, what
14 would the company do with that power. And based upon
15 a whole variety of outcomes the Commission may have
16 with regard to Turning Point, the answer is I don't
17 know.

18 And when I answered your question a
19 minute ago, I answered your question with regard to a
20 specific circumstance.

21 Q. But I didn't give you a specific
22 circumstance. I said "did you know," and your
23 deposition answer was "I don't know," correct?

24 A. That was a follow up to a prior question
25 that left a lot of variations open.

1 Q. Did I read your deposition testimony
2 correctly?

3 A. Can you please read back what you read?

4 Q. I will read it to you again, sir.

5 Question, line 3, page 50: "What is the
6 company's intent in terms of what will happen with
7 the power that's generated from the Turning Point
8 Project?"

9 Answer: "I don't know."

10 That's what it says on those pages -- on
11 that page on those lines, correct?

12 A. It says that and it needs to be read in
13 context.

14 Q. Thank you.

15 Now, is it also true to say you don't
16 know whether AEP Ohio will seek to build the project
17 before getting potential cost recovery through the
18 GRR adopted?

19 A. That's correct.

20 Q. And you don't know whether approval of
21 the Turning Point and its costs -- Turning Point
22 Project and its costs through the GRR are going
23 forward with the project?

24 A. I think that's correct.

25 Q. And the Commission, by approving the

1 stipulation, would not be approving anything about
2 the prudence of the Turning Point Project, correct?

3 A. Correct. The prudence would be
4 determined in a separate proceeding.

5 Q. Now, with respect to the unit called
6 Muskingum River or MR6, is it correct to say you
7 can't say there is an estimate of the cost of that
8 project that's been done?

9 A. That's correct. I am not aware of an
10 estimate related to that project.

11 Q. You don't know what the size of the
12 project will be.

13 A. I do not.

14 Q. And you don't know if the company intends
15 to recover CWIP associated with that project?

16 A. That's correct.

17 Q. Or who would own that project?

18 A. That's correct.

19 Q. Or if the company intends to
20 competitively bid that project?

21 A. I'm sorry, is there a question?

22 Q. Yes. Correct?

23 A. Can you read the question back.

24 Q. Let me give it to you again: Isn't it
25 true you don't know if the company intends to

1 competitively bid that project?

2 A. That's correct.

3 Q. Now, it could be the case -- well, let me
4 back up.

5 There is another unit called the MR5
6 unit, correct?

7 A. There is a Muskingum River 5 unit that
8 the company owns, that's correct.

9 Q. And that unit has been discussed for
10 potential closure or retirement, correct?

11 A. I think the exact term is retire,
12 retrofit, or replace. I think those are the three
13 options for Muskingum River 5.

14 Q. And Muskingum River 5, or MR5, is a
15 candidate for one of those things, correct?

16 A. As is every power plant that we own, yes.

17 Q. But that one is currently under serious
18 consideration for retirement or closure; isn't that
19 true?

20 A. It's under consideration for retirement
21 or repowering.

22 Q. All right. Now, it could be the case
23 that the closure costs associated with MR5 could be
24 sought to be recovered through the ESP through rider
25 GRR, correct?

1 A. Yes. I think the statute allows for
2 retirement costs to be included within a plant that
3 would be included in the GRR.

4 Q. And you would think that it's a
5 possibility that the closure costs could be recovered
6 through the GRR during the proposed ESP period,
7 correct?

8 MR. NOURSE: Your Honor, I object. Can I
9 clarify, are you asking about recovery of closure
10 costs as part of the MR6 replacement project?

11 MR. KUTIK: That wasn't my question.

12 A. Can you repeat your question, please?

13 Q. Sure. It could be the case that closure
14 costs associated with MR5 could be sought to be
15 recovered through or during the ESP through the GRR?

16 A. I think in conjunction with the new
17 Muskingum River 6 plant, if the retirement costs were
18 included in there and approved by the Commission in a
19 separate proceeding, then they could be recovered.
20 Whether it would be recovered in the term of this
21 upcoming ESP or not, I don't know.

22 Q. So the answer is it possibly could,
23 correct?

24 MR. NOURSE: Your Honor, I object. You
25 know, he answered the question already. He's trying

1 to recharacterize his answer.

2 MR. KUTIK: I think I am entitled to a
3 clear answer, your Honor.

4 EXAMINER TAUBER: Mr. Kutik, I believe he
5 answered the question.

6 MR. KUTIK: Thank you.

7 Q. Now, you don't have a recommendation, do
8 you, sir, that whether the costs ought to be
9 recovered through the GRR should be subject to an
10 audit, correct?

11 A. I don't have a recommendation on that at
12 this point in time.

13 Q. And we could say the same, that is, that
14 you don't have a recommendation whether the revenues
15 that could potentially offset the costs would also be
16 subject to an audit?

17 A. I don't have a recommendation on that at
18 this point in time.

19 Q. Okay. Now, it would be true to say that
20 AEP doesn't currently keep track of revenues
21 generated by plant, correct?

22 A. That's generally correct, yes.

23 Q. And the company does not currently have
24 systems to do that, correct?

25 A. I think the company has systems that are

1 capable of doing that if the company chose to do
2 that.

3 Q. That wasn't my question.

4 The company currently doesn't have
5 systems to do that, correct?

6 A. The company doesn't have systems that
7 does that today. The systems may be capable of doing
8 that, and I believe they would be.

9 Q. All right. Now, you had a role in the
10 team that negotiated the stipulation, correct?

11 A. Yes, I did.

12 Q. And one of the roles was to determine the
13 feasibility of certain parts of the stipulation in
14 terms of whether they could be implemented by the
15 company, correct?

16 A. Yes, that's correct.

17 Q. And isn't it true as part of that role,
18 you did not determine whether the company could
19 keep -- have the systems or could keep track of
20 revenues generated by plant?

21 A. I'm certain the company could keep track
22 of revenues by plant if the company chose to do so.

23 Q. That wasn't my question.

24 MR. KUTIK: May I have the question read,
25 your Honor, and can the witness be directed to

1 answer?

2 EXAMINER TAUBER: Could you reread the
3 question for the witness, please.

4 (Record read.)

5 A. During the negotiations I would have had
6 the same knowledge I have today, that the company is
7 capable of keeping track of revenues by plant.

8 MR. KUTIK: May I have the answer read,
9 please?

10 (Record read.)

11 Q. So it's true, though, that during your
12 role as part of the stipulation, you did not
13 determine whether the company could keep track of
14 revenue by plant, correct?

15 A. During the negotiations, I didn't need to
16 determine that because I knew it to be true.

17 Q. Well, the company didn't -- hasn't kept
18 track of revenues by plant, correct?

19 A. The company doesn't keep track of
20 revenues by plant because currently the company has
21 no need to.

22 Q. All right.

23 A. If the company had a need, the company
24 would be capable of doing that.

25 Q. Well, you didn't make an inquiry during

1 your work as part of the negotiation, correct?

2 A. I didn't need to based upon my experience
3 with the company and my understanding of the company.
4 I know that the company is capable of keeping track
5 of revenue by plant. That's a very simple thing to
6 do if one would seek to do that.

7 Q. Now, you don't know whether it's the
8 companies' intent to seek recovery of costs
9 associated with developing 350 megawatts of
10 customer-sited generation through the GRR, correct?

11 THE WITNESS: Can you repeat the
12 question, please?

13 (Record read.)

14 A. This stipulation just states that the
15 350 megawatts of customer-sited combined heat and
16 power waste heat -- or waste informing recovery
17 distributed generation resources will be recovered
18 under an appropriate rider. It doesn't distinguish
19 which rider that will be recovered under.

20 Q. So you don't know whether it will be
21 recovered under GRR, correct?

22 A. I don't.

23 Q. Now, it's also possible, is it not, that
24 the company could seek to recover the costs of the
25 Turning Point Project or the MR6 project through the

1 fuel adjustment clause and make that clause
2 nonbypassable, correct?

3 MR. DARR: Could I have that question
4 read back, please.

5 (Record read.)

6 MR. DARR: Thank you.

7 A. If the Turning Point facility or the
8 Muskingum River 6 facility were included within the
9 GRR and there was -- and the GRR was nonbypassable,
10 the associated FAC would also be nonbypassable and
11 the fuel or purchased power costs associated with
12 either the Turning Point facility or Muskingum River
13 6 would be recovered through that FAC mechanism.

14 Q. So in the circumstances you describe, the
15 costs of the Turning Point Project or certain costs
16 of the Turning Point Project or certain costs of the
17 MR6 project could be recovered through the FAC on a
18 nonbypassable basis; fair to say?

19 A. I think I answered your question. The
20 nonbypassable FAC would exist in conjunction with a
21 nonbypassable GRR. It would not be the existing FAC
22 mechanism that exists today.

23 Q. Correct. So certain costs of the Turning
24 Point Project or the MR6 project could be flowed
25 through the FAC on a nonbypassable basis, correct?

1 A. Subject to the conditions that I outlined
2 in my previous answer, my answer is still the same as
3 I gave you the last time you asked it.

4 Q. Well, is it yes, sir?

5 A. I think I answered your question. I
6 said -- I'll go through the whole explanation again.

7 If the GRR is approved and is allowed to
8 include the Turning Point facility and the Muskingum
9 River 6 facility, the fuel costs associated with
10 those two facilities could be included in a
11 nonbypassable FAC mechanism.

12 Q. So those certain costs would be
13 nonbypassable and flow through the FAC, correct?

14 A. I think I just answered your question.

15 Q. Well, could you answer it "yes" or "no"?

16 MR. NOURSE: Your Honor, I object.

17 Mr. Kutik wants Mr. Allen to say exactly the same
18 words. He is saying words that explain clearly his
19 understanding. It's not the FAC; it's a modified FAC
20 which is the term in the stipulation which he
21 explained very much in detail.

22 MR. KUTIK: That's nice testimony by
23 counsel, but given the convoluted nature of the
24 witness's answer, I think I am entitled to have a
25 clear answer and clear understanding on the record

1 with respect to whether these certain particular
2 costs that may come out of the Turning Point and MR6
3 projects would be recovered through a FAC on a
4 nonbypassable basis.

5 EXAMINER TAUBER: Could you clarify the
6 question for Mr. Kutik.

7 MR. KUTIK: Can I have a "yes" or "no"
8 answer, and then he can explain?

9 A. I can't answer your question with a "yes"
10 or "no."

11 Q. Okay. Let's talk about the DIR, see if
12 we can answer these questions.

13 A. I will do my best to help you.

14 Q. Thank you.

15 And isn't it true that part of your
16 testimony is to describe the DIR?

17 A. Yes.

18 Q. And the costs that would be recovered
19 through the DIR would be subject to Commission
20 review, correct?

21 A. Yes.

22 Q. And the Commission would not have the
23 opportunity to review the projects proposed for
24 recovery under the DIR prior to the implementation of
25 those projects, correct?

1 A. That's correct.

2 Q. And you don't know what -- if it is the
3 companies' intent that the costs under the rider
4 would be subject to a proceeding to review an audit,
5 correct?

6 A. In paragraph n of the stipulation about
7 halfway down the page on page 9 the stipulation
8 indicates that "Each January the costs in the DIR
9 investments shall be reviewed for prudence by an
10 independent auditor under the direction of Staff and
11 funded by the companies."

12 Whether or not that audit report would be
13 filed and docketed before the Commission has yet to
14 be determined.

15 Q. My question was whether it would be
16 subject to a proceeding to review the audit. You
17 don't know whether that would be part of the DIR
18 proceeding -- procedure, correct?

19 A. I don't know whether or not the audit
20 report that's indicated in the stipulation would be
21 included in a proceeding before the Commission.

22 Q. Now, you have not provided a
23 quantification of what potential charge the DIR would
24 be, correct?

25 A. Can you repeat the question?

1 Q. Sure.

2 MR. KUTIK: Could it be read, your Honor?

3 EXAMINER TAUBER: Yes.

4 (Record read.)

5 A. That's not correct. I have provided a
6 quantification of what the potential charges under
7 the DIR would be and that's included in the
8 stipulation. Those charges could be \$86 million in
9 2012, 104 million in 2013, and 124 million in 2014.

10 Q. Those are caps, correct?

11 A. Those are caps, but those are charges
12 that could be collected under the DIR and that's what
13 you asked.

14 Q. There is no quantification of the
15 companies' best estimate of what a charge would be,
16 correct, in your testimony?

17 A. In my testimony there is no
18 quantification of what the company expects the DIR
19 charges to be other than it describes that there is a
20 cap on what those charges could be.

21 Q. Now, your responsibility in your current
22 role, as I understand your testimony, is the
23 oversight of major filings, correct?

24 A. Major rate case filings in the retail
25 jurisdictions, yes.

1 Q. And in that role, among other things, you
2 are largely responsible for managing case managers,
3 correct?

4 A. That's correct.

5 Q. And case managers might be thought of as
6 project managers for cases.

7 A. That's a portion of their role, yes.

8 Q. And prior to this case, you did not have
9 any dealing with CRES providers, correct?

10 A. In a professional role, no.

11 Q. Right. So with respect to your
12 information with respect to CRES providers and how
13 that process works, would it be fair to say that much
14 of your information on that subject was provided to
15 you by others in the company?

16 A. Some was provided by others in the
17 company and some was obtained through research that I
18 did myself.

19 Q. Now, you were the one that was tasked
20 with developing the initial draft of Appendix C of
21 the stipulation, correct?

22 A. I prepared the initial draft of Appendix
23 C, that's correct.

24 Q. And the draft was based upon rules that
25 exist in the State of Michigan, correct?

1 A. The starting point for my development of
2 Appendix C was to look to the rules for shopping in
3 Michigan because those had provisions and terms that
4 I believe to be familiar to many of the CRES
5 providers that were involved in the negotiations.

6 Q. Well, in fact, weren't those rules
7 suggested to you during the negotiations as a place
8 to look to start your draft?

9 MR. NOURSE: Your Honor, I object. We
10 are discussing the content of settlement
11 negotiations.

12 MR. KUTIK: I will withdraw the question.

13 Q. Isn't it true that those rules in
14 Michigan were promulgated based upon a statute that
15 imposes limits on the amount of shopping that can
16 occur?

17 A. It limits that very significantly from
18 utility to utility within the State of Michigan.

19 MR. KUTIK: I'm sorry. May I have the
20 question -- answer read, please.

21 (Record read.)

22 Q. Okay. But there are hard limits on
23 shopping in Michigan, correct?

24 A. No, they are not hard limits.

25 Q. Per the statute?

1 A. There are not hard limits in the State of
2 Michigan for shopping.

3 Q. Okay. Well, isn't it true the rules were
4 based on a statute that imposes limits on the amount
5 of shopping that can occur?

6 A. It imposes limits that have flexibility
7 within them though.

8 Q. Now, there is no similar statute in Ohio
9 that limits shopping like it does in Michigan,
10 correct?

11 A. That's correct, and that's why Appendix C
12 is not a duplication of what exists in the State of
13 Michigan.

14 Q. That wasn't my question.

15 My question simply was that there is no
16 similar statute in the State of Ohio, correct?

17 A. There's no statute in the State of
18 Ohio --

19 Q. Thank you.

20 A. -- that puts a limitation, a hard
21 limitation on shopping in the State of Ohio.

22 Q. So the starting point of your draft was a
23 rule that was based upon a statute that limits
24 shopping in Michigan, correct?

25 A. That was the document that I used to

1 inform the development of Appendix C that was
2 attached to the stipulation that does not include
3 caps on shopping in Ohio.

4 Q. Well, that's your opinion, but I didn't
5 ask you about what the stipulation said. I just said
6 the starting point of your draft was a rule in the
7 State of Michigan based upon a statute that limits
8 shopping; isn't that correct?

9 A. That was the document that informed the
10 starting point for Appendix C.

11 Q. Thank you.

12 Now, would it be fair to say that the
13 folks at AEP Ohio are not big fans of customers
14 shopping in their territory?

15 MR. NOURSE: Objection.

16 EXAMINER TAUBER: Mr. Nourse.

17 MR. NOURSE: Objection; argumentative.
18 Pejorative statements about the company are not
19 necessary to ask the witness a question.

20 EXAMINER TAUBER: Sustained.

21 Q. Well, isn't it true having a lot of
22 customers shop hasn't been part of AEP's business
23 plans?

24 THE WITNESS: Can you repeat the
25 question?

1 (Record read.)

2 A. No, that's not true.

3 Q. Okay. Well, isn't it true that prior to
4 the stipulation, AEP Ohio had forecasts on the amount
5 of shopping that would take place in AEP Ohio?

6 A. Yes, that's true.

7 Q. And isn't it true those forecasts assumed
8 levels of shopping that would remain static after
9 2011?

10 A. There have been forecasts that the
11 company has prepared that assumed shopping levels
12 would remain static over time, and that was due to
13 the prices the company offered and the historical
14 experience that the company had seen with shopping.

15 Q. There was no forecasts by the company
16 that assumed that shopping would grow within AEP Ohio
17 after June -- January 1, 2012?

18 A. There are no forecasts that I know of
19 that project that, that's correct.

20 Q. Now, the first draft of Appendix C was
21 shared with other parties within a week or so before
22 the stipulation was signed, correct?

23 A. May have been slightly more than a week.

24 Q. All right, within two weeks.

25 A. To the best of my recollection, the first

1 draft of Appendix C was shared with the other
2 signatories parties within two weeks of signing the
3 stipulation.

4 Q. And it would be fair to say you don't
5 know that prior to the signing of the stipulation a
6 draft of Appendix C was shared with FirstEnergy
7 Solutions.

8 A. I know that a draft of Appendix C was
9 shared with a variety of parties in the case. I
10 don't know whether FirstEnergy Solutions was one of
11 those parties.

12 Q. Okay. So you don't know, correct?

13 A. I think that's what I just answered. I
14 don't know FirstEnergy Solutions received such a
15 document.

16 Q. And you don't know whether OCC received
17 such a document?

18 A. I don't know whether OCC received a draft
19 of Appendix C -- well, no. I don't know.

20 Q. Okay. And you don't know whether IEU
21 received a draft of Appendix C before the signed
22 stipulation?

23 A. I think I want to clarify my answers
24 because to my recollection all the parties were
25 provided a copy of the entire stipulation prior to

1 the signing on the 7th, whether it happened the
2 night of the 6th or it happened the morning of the
3 7th, but I think everybody was made aware of the
4 entirety of the appendices prior to signing on the
5 dotted line on the 7th.

6 Q. All right. Let's go back. Prior to
7 September 6, you are not aware that a draft of the
8 Appendix C was shared with FirstEnergy Solutions,
9 correct?

10 A. That's correct.

11 Q. Or with OCC?

12 A. That's correct.

13 Q. Or with IEU?

14 A. That's correct.

15 Q. Or with the Appalachian Peace and Justice
16 Network?

17 A. That would be correct for any signatory
18 party that you ask me about or any party to the case.

19 Q. Let me change subject.

20 With respect to RPM pricing isn't it true
21 that there is a significant -- there is significant
22 headroom for CRES providers to provide service to
23 retail customers?

24 A. Can you repeat your question?

25 MR. KUTIK: Sure. May I have it read,

1 your Honor?

2 EXAMINER SEE: Yes.

3 (Record read.)

4 A. I think your question was phrased a
5 little off, so let me just answer the question that I
6 think you're intending to ask.

7 If you assume RPM-priced capacity for
8 CRES providers.

9 Q. Right.

10 A. Then there would be a significant amount
11 of headroom for CRES providers to provide offers to
12 customers.

13 Q. And if you assumed that CRES providers
14 had to pay a price of \$255 per megawatt day, there
15 would be less, if any, such headroom, correct?

16 A. If any price input that a CRES provider
17 incurs rises and the price to compare stays the same,
18 then the headroom would be reduced just as a matter
19 of mathematical operation.

20 Q. Thank you.

21 You are aware, are you not, that there
22 are state policies to support government aggregation,
23 correct?

24 A. I think that's true.

25 Q. Okay. And it would be fair to say you

1 don't know whether the Commission should review the
2 ESP to determine whether it promotes or -- promotes
3 or encourages government aggregation, fair to say?

4 A. Can you repeat the question?

5 Q. Sure. You don't know whether the
6 Commission should review the ESP to determine whether
7 it encourages or promotes government aggregation,
8 fair to say?

9 A. I wouldn't presuppose what the
10 Commission's responsibilities are with regard to how
11 they review the companies' ESP.

12 Q. So you don't know?

13 A. I wouldn't presuppose what their
14 obligations are.

15 Q. Well, do you know or don't you know?

16 A. I don't know, and if I knew, I wouldn't
17 presuppose.

18 Q. Okay, all right. Now, isn't it true on
19 that issue whether the ESP supports or promotes
20 government aggregation, the best you can say is that
21 the ESP doesn't discourage government aggregation?

22 A. I think it's definitely true that the ESP
23 does not discourage governmental aggregation. There
24 are elements in the ESP that would be beneficial to
25 governmental aggregation communities. The RPM price

1 set-aside is one of those provisions.

2 Q. Well, would it be fair to say with
3 respect to any "benefit" that would be felt by
4 residential customers in government aggregation
5 communities, they would be felt by any residential
6 customer in a similar manner?

7 A. I think it's true that the ESP provides
8 similar benefits to individual residential customers
9 and government -- and residential customers that
10 participate in governmental aggregation.

11 Q. In fact, in your view under the
12 stipulation, customers who receive service from a
13 CRES provider through government aggregation are not
14 treated any differently than any other residential
15 customer who receives services from a CRES provider?

16 A. Residential -- residential customers
17 served under governmental aggregation are treated
18 equally to residential customers that are served by a
19 CRES provider in a manner other than governmental
20 aggregation.

21 Q. They are treated the same, correct?

22 A. Those two sets of residential customers
23 under governmental aggregation or not under
24 governmental aggregation are treated equally.

25 Q. All right. Now, isn't it true, sir, that

1 you have expressed negative opinions or negative --
2 made negative statements about government
3 aggregation?

4 A. No, that's not true.

5 Q. Well, isn't it true that you once used
6 the word "slam" or "slamming" to describe government
7 aggregation?

8 A. Would you like me to read the deposition
9 to you?

10 Q. Isn't it true, sir, that you used the
11 word "slam" or "slamming" to describe government
12 aggregation?

13 A. I described in a meeting with a number of
14 CRES providers that governmental aggregation has the
15 affect, and I used the word when I discussed this
16 with the CRES providers that I wasn't using this with
17 a negative connotation but this was the best word I
18 had available at the time, that when residential
19 customers under governmental aggregation, initially
20 they are basically slammed to the government -- to
21 the CRES under the governmental aggregation, and the
22 customer then has to take an affirmative action to
23 either opt out of the governmental aggregation or
24 stay with the CRES provider.

25 And I was very clear in both my

1 deposition and in the meeting I had with the CRES
2 providers that when I used that term, it was not
3 intended to have a negative connotation. It was
4 intended to describe the process.

5 Q. Isn't it true there is no positive
6 connotations of the word "slam" as far as CRES
7 providers are concerned?

8 A. I don't know. From a -- from a customer
9 perspective a "slam" would be a bad thing. From a
10 CRES provider I don't know what their view of it
11 would be.

12 Q. Well, you don't believe that a contract
13 between a municipal aggregator and a CRES provider is
14 a contract on behalf of customers, do you?

15 A. No, I don't.

16 Q. So that a contract -- that type of
17 contract would not be the basis for a CRES -- CRES
18 provider to submit an affidavit to establish a
19 government aggregator's customer's place in the
20 queue, correct?

21 THE WITNESS: Can you repeat the
22 question, please?

23 (Record read.)

24 A. That's correct. And as I indicated in my
25 testimony, the contract between the CRES and the

1 customer occurs at the -- at the time the customer
2 either opts in or does not avail themselves of the
3 opportunity to opt out of governmental aggregation.

4 No contract exists at that point in time.
5 It's basically an offer to the customer to choose
6 whether or not they want to take service from that
7 CRES provider.

8 Q. So a contract between a governmental
9 aggregator and a municipal -- governmental aggregator
10 and a CRES provider would not be the basis or proper
11 basis to submit an affidavit to have a government
12 aggregating customer placed in the queue, correct?

13 A. I think I want to make sure everybody is
14 clear about how terms are defined.

15 Q. Well, can you answer my question and then
16 explain it if you want?

17 A. I think I want to make sure I have got a
18 clear answer, so. An affidavit affirms --

19 MR. KUTIK: Your Honor, may I have a
20 direction that he answer the question "yes" or "no"?
21 If he wants to explain, he can explain.

22 MR. NOURSE: Your Honor, he is indicating
23 he can't answer "yes" or "no." He wants to explain
24 it in his own words.

25 EXAMINER SEE: Mr. Allen, answer the

1 question explaining your understanding of the
2 question.

3 A. The term "affidavit" is explicitly
4 described within the detailed implementation plan.
5 What an affidavit does as indicated in the definition
6 is the affidavit affirms that a validly executed
7 contract for the generation portion of electric
8 supply exists between a CRES provider and a customer
9 based on that definition and the definition that no
10 contract exists between a CRES and a customer until
11 the customer either chooses to affirmatively opt in
12 to an opt-in aggregation program or opt out -- or
13 fails to avail themselves of the opportunity to opt
14 out of a governmental aggregation program, no
15 contract exists.

16 So, therefore, no affidavit can be
17 submitted on behalf of that customer by a CRES
18 provider.

19 Q. So a CRES contract with a governmental
20 aggregator is not a sufficient basis to supply an
21 affidavit for a customer in a government aggregation
22 community to have that customer get a place in the
23 queue, correct?

24 A. It's the first step. The second required
25 step is that the customer either opt in to the

1 governmental aggregation or avail -- or fail to avail
2 themselves of the opportunity to opt out of that
3 aggregation.

4 Q. But, in other words, there has to be more
5 than just the contract between the CRES provider and
6 the governmental aggregator for a customer to get a
7 place in the queue through an affidavit?

8 A. Yes, that's correct.

9 Q. Now, you are aware, are you not, that
10 there are some communities in AEP Ohio that have
11 scheduled -- that have scheduled for consideration on
12 this November's ballot ordinances authorizing
13 municipalities to act as governmental aggregators?

14 THE WITNESS: Can you read the question
15 back, please?

16 (Record read.)

17 A. I don't know that I can agree to all of
18 your words, but I do know there are communities that
19 have governmental aggregation initiatives or ballots
20 on the November ballot.

21 Q. Fair enough. And you have looked at the
22 load for those communities, correct?

23 A. Yes, I have.

24 Q. And you have looked at the load for those
25 community -- those communities that currently have

1 municipal ordinances that establish them or could
2 establish them as governmental aggregators, correct?

3 A. I've looked at it for the communities
4 that the company is aware of that have either of
5 those two, either a November ballot initiative or
6 already have initiatives that have been approved.

7 Q. All right. Now, let me refer you, if you
8 have in front of you, sir, to OCC Exhibit 5 which is
9 the web page from the Ohio Choice site. Do you have
10 that in front of you, sir?

11 A. Yes, I do.

12 Q. And I specifically want to direct your
13 attention to the number under unallocated allotments
14 as of September 7, 2011, on the line "Residential."
15 Do you see that?

16 A. Yes, I do.

17 Q. And my question to you, sir, is do you
18 know whether the load with respect to the communities
19 that are currently considering municipal aggregation
20 ordinances on this November's ballot is more or less
21 than the number that appears there, 2.4 million?

22 A. It's been a while since I have looked at
23 the data, and I have looked at lots of numbers
24 recently. But to the best of my recollection, there
25 is, I think, sufficient room for the residential

1 customers in those communities to fit under this cap.
2 If it -- if they don't all fit, it's pretty close.

3 Q. All right. And is your statement just
4 with respect to those communities that are currently
5 considering it, or is your statement that all of the
6 communities that either have one or who are -- which
7 are considering one, all of those communities the
8 load represented by them would fit within the 2.4
9 million?

10 A. Based on the numbers I have looked at,
11 the load represented by the communities that have
12 already passed governmental aggregation initiatives
13 and could choose to sign governmental aggregation
14 contracts today or could have done it in the past is
15 roughly equal to the amount that's on the November
16 ballot. And I don't know if all of the load under
17 both of those would fit within the residential
18 allotment.

19 Q. Okay. Now, in your work in drafting
20 Appendix C and understanding Appendix C and trying to
21 figure out how to implement Appendix C, you took it
22 upon yourself to learn how it would -- how it would
23 happen that a municipality -- or how long it would
24 take, rather, to have a municipality request from the
25 approval of an ordinance to getting a customer under

1 contract pursuant to a governmental aggregation
2 program, correct?

3 A. No, I didn't look at that.

4 Q. Now, would it be true that if it took,
5 for those communities that have a November ballot
6 initiative, if it took until January 1 or after
7 January 1, 2012, for those folks that might come in
8 under those programs would be in Group 5, correct?

9 A. If they came in on December 31 or
10 January 1, they would be in Group 5.

11 Q. Now, Group 1 customers have the highest
12 priority, correct?

13 A. That's correct.

14 Q. And Group 1 customers include keeping
15 that priority no matter how much load that customer
16 has, in other words, whether it expands or not?

17 A. That's correct.

18 Q. Now, Group 2 customers can keep their
19 status so long as that load doesn't increase by more
20 than 10 percent.

21 A. Not necessarily.

22 Q. But certainly it is possible that a Group
23 2 customer whose load -- or which has load that
24 increases by greater than 10 percent could fall out
25 of Group 2?

1 A. If that load increase of greater than a
2 megawatt, they would move into Group 3. And if there
3 were no allotments available, they would -- for that
4 increased load would have to wait until January of
5 the subsequent year to gain an allotment.

6 So it would just be a portion of a year
7 that a customer was waiting for a new allotment -- or
8 an additional allotment, I'm sorry.

9 Q. But Group 1 customers can be treated
10 potentially different than Group 2 customers,
11 correct?

12 A. Yes, that's correct.

13 Q. And would it be fair to say the only
14 basis for treating those two groups differently is
15 that one Group was shopping before July 1, 2011, and
16 one wasn't?

17 A. That's the distinction that's included in
18 the stipulation.

19 Q. Now, it's also possible, is it not, for a
20 customer under Appendix C to jump from Group 5 to
21 Group 3, and Group 5 customer could move to Group 3
22 but it would be no impact?

23 A. It would have no impact in my view.

24 Q. All right. But it still would jump from
25 Group 5 to Group 3, correct?

1 A. That's correct.

2 Q. And it's unclear at this point what
3 specific information will be requested for customers
4 who want to be part of Group 3, correct?

5 A. In your question you phrased it as
6 customers who want to be Group 3. Customers don't
7 choose whether they want to be Group 3 or don't want
8 to be Group 3. Customers are Group 3 by their
9 actions.

10 Q. Well, is it the case that a customer
11 wouldn't have to provide any information about their
12 expansion plans? Is that your testimony?

13 A. No, that's not my testimony at all.

14 Q. All right. For a customer who wanted to
15 expand, that customer might want to be in Group 3,
16 correct?

17 A. It's not a matter of whether the customer
18 wants to be in Group 3. If the customer expands
19 usage by greater than 10 percent and 1 megawatt, the
20 customer becomes a Group 3 customer. There's not a
21 matter of want; it's just a requirement.

22 Q. So that -- so that the customer wouldn't
23 have to apply before the fact to achieve Group 3
24 status?

25 A. Customers that have contracts with the

1 company have contracts that identify the capacity
2 that they're contracting for with the company. If
3 they increase their capacity above the contracted
4 capacity, they are required by that contract to
5 notify the company.

6 Q. And with respect to what information, is
7 that also provided in the contract, what information
8 they have to provide?

9 A. Part of the information they would have
10 to provide is that new contract capacity which by
11 simple math would determine what the increase in
12 capacity is.

13 Q. So the customer can simply say that I'm
14 going to increase my capacity by X megawatts and that
15 would be good enough? Is that what you are saying?

16 A. The company does do audits of customer
17 contract capacity increases. A customer that
18 notified us or changed their contract to increase
19 their contract capacity would be incurring certain
20 financial costs associated with that because there
21 are certain contract minimums that are in the
22 tariffs.

23 Q. So would the -- would the customer have
24 to say anything other than I'm going to increase my
25 load by X megawatts?

1 A. If a customer is Group 5, they already
2 received an allotment. Notifying the company that
3 they want to be Group 3 or that they need to be Group
4 3 because they are increasing their load doesn't
5 change the fact that they've already received an
6 allotment.

7 Group 3 does not apply to a customer that
8 hasn't already received an allotment so your question
9 seems to be based upon a false premise and so I am
10 kind of challenged to try to help you to get through
11 this.

12 Q. Well, thank you for trying to help me,
13 but it would help me if you answered my question.

14 And my question is simply for a customer
15 that wants to be in Group 3, do they have to say
16 anything other than my load is going to be X
17 megawatts?

18 A. And I think I have indicated customers --
19 it's not a matter of want; it's a matter of meeting
20 the definition of Group 3 and then they move to Group
21 3 once they provide us that notice.

22 Q. And does the notice -- all the notice has
23 to say is I am going to increase my load by X
24 megawatts?

25 A. I'm not familiar with all the particulars

1 of the contract, but one piece of that would indicate
2 what their requested increase in contract capacity
3 is.

4 Q. Might there be other information that you
5 don't know they have to provide?

6 A. Sure. There might be other additional
7 information when they amend a contract with us that
8 they would have to provide.

9 Q. So sitting here today with respect to a
10 customer to qualify for Group 3, all you know is that
11 they just have to say I'm going to -- or I'll strike
12 the question.

13 So it would be fair to say you don't know
14 with respect to all the particulars what a customer
15 has to do in terms of representations to the company
16 to qualify to be a Group 3 customer?

17 A. The customer would have to write us
18 notice that they're changing their contract capacity
19 by greater than 10 percent and 1 megawatt.

20 Q. That's not my question.

21 My question is you can't tell me other
22 than I am going to increase my -- what the -- my load
23 by X megawatts if there is anything else that they
24 have to provide to qualify for Group 3, correct?

25 A. That's not correct. To qualify for Group

1 3, that's the information that's needed. What other
2 information is needed when they file that contract
3 with us is a different matter and that's not relevant
4 to Appendix C or the detailed implementation plan,
5 and as a result, it's not something I reviewed.

6 Q. So as far as you're concerned, the only
7 thing that's relevant that a customer should provide
8 is a statement that I'm going to increase my load by
9 X megawatts? Is that your testimony?

10 A. I think it's a little more than a
11 statement. It's a contract that they have to sign
12 saying that.

13 Q. Now, you have filed, have you not, the
14 detailed implementation plan?

15 A. The detailed implementation was filed. I
16 did not personally file it.

17 Q. "You" being the company.

18 A. The company filed the detailed
19 implementation plan.

20 Q. Right. And that was filed late
21 yesterday, correct?

22 A. That's correct.

23 Q. Now, earlier today your counsel
24 represented that this was the complete detailed
25 implementation plan. Is that a correct

1 characterization of the plan?

2 A. I would define it as the detailed
3 implementation plan.

4 Q. Is it the completed plan?

5 A. It's complete at this point in time,
6 that's correct.

7 Q. Now, would it be fair to say that with
8 respect to the draft that was filed yesterday, that
9 was not shared with FirstEnergy Solutions, was it?
10 And I mean prior to the filing.

11 A. I don't think it was, but I don't know
12 for certain.

13 Q. Would you -- you would agree with me that
14 FirstEnergy Solutions certainly would be an
15 interested CRES provider.

16 A. Yes. And on that point on September 19
17 the company had a meeting with many of the CRES
18 providers that was open to all of the CRES providers.
19 FirstEnergy Solutions was a significant participant
20 in that meeting and by and large asked more questions
21 than the other parties and provided some comments
22 that the company thought about.

23 And we took comments from lots of
24 parties. Questions were submitted to the company
25 prior to the meeting. As I recall, it was probably a

1 two-hour meeting, maybe 40 or 50 individuals
2 involved, and the company used that meeting to gather
3 information from CRES providers, other signatory
4 parties.

5 The CRES providers -- the CRES parties
6 that the company invited went well beyond just CRES
7 parties that were participants in the case but looked
8 out to the entirety of the CRES community, and we
9 used that information to help inform the detailed
10 implementation plan.

11 Q. That's a very nice speech, sir, but my
12 question was you would regard FirstEnergy as an
13 interested CRES provider, wouldn't you?

14 A. I don't know if they are interested or
15 not, but I would regard them as a CRES provider.

16 Q. You don't know whether they are
17 interested, given the fact you just said FirstEnergy
18 Solutions asked almost all the questions or more
19 questions than anybody else at the meeting that you
20 just described?

21 You wouldn't -- you wouldn't take from
22 that that the company was interested; is that your
23 testimony, sir?

24 A. I wouldn't speak for the views of
25 FirstEnergy Solutions. I am not -- I am not an

1 employee of them, and I do not speak for them.

2 Q. So as far as someone who is involved in
3 the implementation of Appendix C, you don't regard
4 FirstEnergy Solutions as an interested CRES provider;
5 is that your testimony?

6 A. My testimony is they are a CRES provider,
7 whether they are interested or not.

8 Q. You don't know?

9 A. Is a -- is a matter of subjective.

10 Q. I am asking you, sir.

11 A. They provided comments.

12 Q. I am asking you, sir: Do you believe
13 they are an interested CRES provider? Can you answer
14 that question?

15 A. They provided feedback and comments.
16 Whether they are or not, I don't know, but they are a
17 CRES provider.

18 Q. So even though they were at the meeting,
19 asked more questions than anybody else, you can't say
20 that they were interested CRES -- an interested CRES
21 provider?

22 A. I think they are interested in the
23 outcome, but I don't know if they are an interested
24 CRES provider.

25 Q. All right. Well, they are a CRES

1 provider, aren't they?

2 A. They are.

3 Q. All right. And they were certainly
4 interested enough to come and ask more questions than
5 anybody else, correct?

6 A. They may not have asked the most, but
7 they were one of the larger question askers.

8 Q. They were active.

9 A. Yes, they were active.

10 Q. And you don't know -- you don't know
11 whether anyone took the time to show FirstEnergy
12 Solutions a draft of the detailed implementation plan
13 before it was filed yesterday afternoon; is that fair
14 to say?

15 A. As indicated in the stipulation.

16 Q. Is that fair to say?

17 A. They were not a signatory party to the
18 case.

19 Q. I just asked you, sir, you didn't share
20 it with FirstEnergy Solutions prior to the filing of
21 it yesterday, correct?

22 A. And I indicated I don't know if it was
23 shared by counsel with FirstEnergy Solutions before
24 the filing.

25 Q. Well, certainly you didn't take any

1 effort to make sure that that was done, correct?

2 A. No, I didn't provide it to them.

3 Q. All right.

4 A. And I didn't provide it to any other
5 party.

6 Q. And you didn't determine whether that was
7 a good thing to do or not, correct?

8 A. No, because the implementation plan
9 largely revolves around how the company will
10 implement Appendix C.

11 Q. Well, isn't it true you sought input from
12 the signatory parties?

13 A. We did.

14 Q. And isn't it true that the signatory
15 parties saw the document enough so that your counsel
16 represented in the filing that all of the signatory
17 parties agreed to the detailed implementation plan?

18 A. The signatory parties did agree to the
19 implementation plan.

20 MR. KUTIK: Could I have a minute, your
21 Honor?

22 Q. Now, earlier we talked a little bit about
23 the affidavit process, correct?

24 A. Yes.

25 Q. And the affidavit process is a process by

1 which a CRES provider can put some information
2 forward to the company about the fact that the CRES
3 provider has a contract with the customer, correct?

4 A. The CRES provider provides information to
5 the company with the customer name, their SDI, their
6 address, and the like, and in submitting that
7 information to the company they are affirming that
8 they have a contract with the customer.

9 Q. And it would be appropriate as far as
10 you're concerned that if there was a customer who had
11 a contract with the CRES provider that was contingent
12 upon the CRES provider getting -- or that customer
13 getting capacity at a price based upon the RPM price,
14 that that would be a contract that would be
15 sufficient and proper to include it in an affidavit,
16 correct?

17 A. I don't think the company would know the
18 terms and conditions of the contract between the CRES
19 and the customer, so whether it had a contingent
20 requirement or any other set of terms and conditions,
21 that would be a valid contract. All that is required
22 is the CRES provider affirm they have a contract with
23 the customer.

24 Q. So, again, if there was this contingency
25 in the contract between the CRES provider and the

1 customer that the contract would only go forward if
2 there was RPM pricing available for the capacity,
3 that would be a contract that would be proper to
4 include it in an affidavit under Appendix C?

5 A. I think the way you worded the question
6 the contract would only occur in RPM capacity.

7 Q. I said go forward.

8 A. The contract just has to exist between
9 the CRES and the customer. If it's contingent and
10 they take service at a later point in time, that's
11 between the CRES and the customer. So if it's
12 contingent and it's a contract, an affidavit can be
13 submitted.

14 Q. So a contract that has a contingency
15 based upon whether the customer got RPM pricing or
16 not would be an appropriate contract to be part of an
17 affidavit.

18 A. Yes.

19 Q. Now, let me ask you about some situations
20 with customers and how that would work under Appendix
21 C. If there was a customer who had service with one
22 CRES provider and that customer stopped having
23 service with the CRES provider and then there was a
24 gap in service, in other words, the customer no
25 longer took service from the CRES provider, and then

1 went back -- and then went and received service with
2 another CRES provider, it would be -- would it be the
3 case that under Appendix C that customer would be
4 regarded as having CRES service as of the first date
5 of the second CRES service?

6 A. Yes.

7 Q. With respect to a customer -- customer,
8 another hypothetical, a residential customer who has
9 been shopping prior to July 1, 2011, and that
10 customer remains in his or her home until January 2
11 of 2012 and that customer moves, would it be the case
12 that the customer in the new residence would be
13 regarded as a Group 5 customer?

14 A. Did that hypothetical, did that customer
15 when he moved take service from a CRES at the new
16 residence?

17 Q. Yes, yes.

18 A. He would be a Group 5 customer, that's
19 correct.

20 Q. If you -- the stipulation calls for the
21 elimination of the 90-day notice requirement,
22 correct?

23 A. It provides for the elimination of the
24 90-day notice requirement by the end of this year.

25 Q. We have no date certain as to whether the

1 notice requirement will be ending prior to the end of
2 the year, correct?

3 A. That's correct. Well, the 90-day notice
4 requirement will end prior to the end of the year,
5 just not the date.

6 Q. That was my point. We don't know the
7 date that will be the cutoff, correct?

8 A. That's correct.

9 Q. Now, I want to talk to you a little bit
10 about your benefits calculations. You calculated a
11 "benefit" of the ESP versus the MRO, correct?

12 A. That's correct.

13 Q. And in that calculation you added as a
14 cost of the ESP the revenue increases associated with
15 rider MTR, correct?

16 A. I included the net impact in 2012 for
17 rider MTR.

18 Q. Well, with respect to that rider you
19 included a revenue impact for 2012, correct?

20 A. Yes, I assumed a \$24 million cost in
21 2012.

22 Q. And you assumed the impact on what we
23 will call the ESP side of the equation, correct?

24 A. Correct. I did not assume that there
25 would be an MTR with a net value other than zero on

1 the MRO side. I assumed it would only have a net
2 value different than zero in the ESP case.

3 Q. Now, another benefit, in quotes, that you
4 attempted to quantify was with respect to some
5 charitable contributions or some contributions to
6 some organizations, correct?

7 A. Can you give me the distinction of
8 "benefits in quotes" versus just "benefits" in
9 general?

10 Q. Because that's your word, not mine.
11 That's what I mean.

12 A. Okay.

13 Q. You have denominated a benefit so just
14 give me the leeway or indulge me when I say
15 "benefit," okay?

16 A. When you say "benefit," you are allowing
17 me to use my definition of benefit, that's your
18 intent?

19 Q. Yes, that is. Now, those -- that
20 "benefit" includes contributions to the Partnership
21 with Ohio and the Ohio Growth Fund, correct?

22 A. Yes, it does.

23 Q. And AEP currently contracts to both of
24 those, correct?

25 A. That's my understanding.

1 Q. And in the future under the stipulation
2 it would only contract to those if the return on
3 equity is greater than 10 percent in the prior year.

4 A. That's correct.

5 Q. And you have not calculated the
6 likelihood, that these particular gifts might not be
7 made, correct?

8 A. No. Based on --

9 Q. I'm sorry, did you say "no"?

10 A. Based upon Exhibit WAA-5, page 6 of 8,
11 where you can see the projected ROEs, based upon that
12 information I've determined that it is likely that
13 the company will make those contributions in each of
14 the years indicated in my Exhibit WAA-4.

15 Q. You have not calculated the likelihood
16 that these particular gifts might not be made; isn't
17 that correct?

18 A. I have calculated -- I have determined
19 the likelihood and I have determined that it's
20 likely.

21 Q. That's not my question.

22 Did you calculate or quantify the
23 likelihood that these particular gifts might not be
24 made? And the answer to that is you did not; isn't
25 that true?

1 A. I have not done a probabilistic
2 calculation to give a percentage of likelihood but I
3 believe those to be likely based on the analysis I
4 have done.

5 Q. Okay. But we don't know if it's the 90
6 percent or 50 percent, correct?

7 A. I would say it's greater than 50 percent.

8 Q. Well, you didn't include, did you, in
9 your calculation a 49 percent possibility that it
10 wouldn't be -- wouldn't happen, did you?

11 A. No, because my analysis indicates that it
12 will happen.

13 Q. All right. But, again, you have made no
14 calculation on that, right?

15 A. I have done financial forecasts for a
16 number of years. I trust that my results are a
17 reasonable representation, and based upon that, I
18 believe that the numbers I show on Exhibit WAA-4 are
19 accurate.

20 Q. All right. Isn't it true that forecasts
21 are just forecasts, sir?

22 A. Forecasts are forecasts.

23 Q. Right. And forecasts are not a guarantee
24 of anything, are they?

25 A. No. Forecasts are an estimate of what

1 one believes to be the likely outcome and this is
2 what I believe to be the likely outcome.

3 Q. But it's not a guarantee, is it?

4 A. Nothing in this world is a guarantee,
5 sir.

6 Q. That's right, and so there is some
7 likelihood that even with all your judgment that
8 something that you forecast might not come true,
9 correct?

10 A. That's true, and there is a likelihood
11 that the market price of power that we have assumed
12 in here could be much higher than what we have
13 assumed.

14 There is a lot of assumptions in here
15 that could move around so we base this upon a point
16 estimate that we believed to be a reasonable
17 estimate.

18 Q. And one of the things you didn't do was
19 calculate the likelihood that the gift may not be
20 made, right?

21 A. I believe the gift will be made and
22 that's why I put it on my sheet.

23 Q. But, again, you didn't calculate that;
24 isn't that correct?

25 A. I didn't calculate a specific percent

1 likelihood.

2 Q. Thank you.

3 Now, you referred earlier to the pro
4 formas, correct?

5 A. Yes.

6 Q. And isn't it true that your pro formas
7 for 2002 which include a rate of return on equity
8 excluding off-system sales of less than 8 percent?

9 MS. GRADY: Did you mean to say "2012"?

10 MR. KUTIK: Yes, 2012, thank you.

11 A. That's correct. And the stipulation
12 provides for the calculation of those Partnerships
13 with Ohio and Ohio Growth Fund contributions based on
14 total company earnings including off-system sales.

15 Q. Now, another "benefit" arises from the
16 reduced PIRR carrying charges, correct?

17 A. That's correct.

18 Q. And that's based upon a difference in the
19 carrying charges based upon the weighted average cost
20 of capital and the debt rate.

21 A. It's based upon the difference between
22 the weighted cost of capital and a fixed debt rate of
23 5.34 percent as indicated in the stipulation.

24 Q. And that's based upon the view, is it
25 not, that -- this "benefit" is based upon the view

1 that AEP is entitled to collect carrying charges
2 based upon the weighted average costs of capital and
3 not a debt rate?

4 A. That's correct. In the companies' prior
5 ESP order the Commission clearly indicated that the
6 company was entitled to a WACC carrying cost on the
7 deferred fuel balance which is what the PIRR is
8 intended to recover.

9 Q. Well, isn't it the case with respect to
10 the creation of a regulatory asset that carrying
11 charges are typically based upon the utility's
12 long-term costs of debt?

13 A. No, I don't believe that to be true.

14 MR. KUTIK: May I approach, your Honor?

15 EXAMINER TAUBER: You may.

16 Q. Mr. Allen, I placed in front of you a
17 document entitled Order on Remand in Case No.
18 08-917-EL-SSO and 08-918-EL-SSO. You've seen that
19 before, haven't you?

20 A. Yes, I have.

21 Q. And you have read it?

22 A. I have.

23 Q. And let me refer you to page 34.

24 Are you there?

25 A. What page, I'm sorry?

1 Q. 34.

2 A. I don't have a page 34.

3 Q. Do you have it in front of you?

4 A. The Bench handed me a copy. I am looking
5 for page 34.

6 Q. Thank you.

7 MR. KUTIK: May we go off the record,
8 your Honor?

9 EXAMINER SEE: Yes.

10 (Discussion off the record.)

11 EXAMINER SEE: Let's go back on.

12 Q. Now that we have retrieved the missing
13 page 34, are you there?

14 A. I am.

15 Q. Let me refer you to the fourth paragraph.
16 Where it says "Where the Commission authorizes the
17 creation of a regulatory asset including carrying
18 charges, such carrying charges are typically based on
19 the utility's cost of long-term debt."

20 Have I read that correctly?

21 A. Yes.

22 Q. And can we take it from your prior
23 testimony that you believe the Commission was wrong
24 when they made that statement?

25 MR. NOURSE: Your Honor, I object. What

1 Mr. Allen said before was referring to the March 18,
2 2009, opinion and order where the WACC was
3 authorized. He didn't make any statements about what
4 generally occurs, so no conflict or difference in his
5 statement.

6 MR. KUTIK: My prior question to him
7 which he disagreed was with respect to creation of a
8 regulatory asset carrying charges typically based
9 upon the utility's long-term cost of debt, and he
10 said I -- I don't think so.

11 MR. NOURSE: The Commission's opinion,
12 not Mr. Allen's opinion in this order.

13 MR. KUTIK: Now I am asking he obviously
14 thinks the Commission is wrong. Is that true?

15 EXAMINER SEE: Move on, Mr. Kutik. Are
16 you going to continue to ask questions about the
17 remand order?

18 MR. KUTIK: I am.

19 EXAMINER SEE: Okay. Go ahead.

20 MR. KUTIK: A few more questions.

21 EXAMINER SEE: Go head.

22 Q. (By Mr. Kutik) Now, the carrying charges
23 are based on the fuel deferrals, correct?

24 A. The carrying charges are applied to the
25 fuel deferrals.

1 Q. So if the amount of the deferral is less,
2 the carrying charges could be less, correct?

3 A. That's correct. And if the size of the
4 deferral is larger, the affect of the carrying
5 charges would be larger.

6 Q. And if the size of the deferral is less,
7 the "benefit" that you calculated would be less,
8 correct?

9 A. That's correct.

10 Q. Now, do you have your initial testimony,
11 the testimony you filed in September of 2013 --
12 September 13, 2011?

13 A. I don't have that here with me today.

14 MR. KUTIK: Your Honor, may I approach?

15 EXAMINER TAUBER: You may.

16 Q. Mr. Allen, let me have you -- let me put
17 before you a document that appears to be in your
18 testimony from September 13, or filed on
19 September 13, correct?

20 A. It appears to be that document.

21 Q. And I would like you to refer to Exhibit
22 WAA-4.

23 A. I have that. So we are referring to
24 WAA-4 as opposed to Revised Exhibit WAA-4?

25 Q. Correct. And it's the case, is it not,

1 with respect to the reduced PIRR carrying costs you
2 quantify the "benefit" at 104 million, correct?

3 A. That's correct.

4 Q. And would it be fair to say that that 104
5 million number is the same number you use in your
6 Revised WAA-4 which was part of Exhibit 4?

7 A. That's correct.

8 Q. It is also the same number that appears
9 for the PIRR "benefit" in Exhibit WAA-6 of your
10 testimony filed that you are supporting today,
11 Company Exhibit 4.

12 A. That same value shows up in Exhibit
13 Revised WAA-4 and Exhibit WAA-6.

14 Q. Now, in between your testimony that was
15 filed on September 13 and the testimony you filed
16 today, this was the remand order, correct?

17 A. That's correct.

18 Q. And let me take -- and isn't it true that
19 the remand order ordered AEP Ohio to apply an amount
20 of a refund first to any deferrals in the FAC
21 accounts on the companies' books as of the date of
22 the order?

23 A. That's correct.

24 Q. Now, you also show on Exhibit WAA-4 a --
25 the benefit from the carrying charges or reduced

1 carrying charges through 2018?

2 A. Yes, that's correct.

3 Q. And you took the net present value of
4 those numbers through 2015; is that correct, to
5 understand?

6 A. No. I don't think so.

7 Q. So the net present value reflects all of
8 the figures that appear on that line on Exhibit or
9 Revised Exhibit WAA-4?

10 A. That was my intent.

11 Q. Now, if these deferrals became
12 securitized, would there -- would carrying charges
13 end?

14 I will say it a different charge --
15 carrying charges would end, wouldn't they?

16 A. The carrying charges on the reg asset
17 would end but there would be interest charges as part
18 of the securitization.

19 Q. Okay. And but it would be fair to say
20 that the carrying charges would be reduced once
21 securitization happened, correct?

22 A. One would assume that if you were to
23 endeavor to take securitization, it would have a
24 lower carrying cost than what you would achieve
25 without securitizing those assets.

1 Q. And it would be fair to say that your
2 PIRR "benefit" does not assume securitization,
3 correct?

4 A. That's correct.

5 Q. And it is the companies' expectation,
6 however, that if securitization is going to occur,
7 it's going to occur sometime in 2012.

8 A. No. I don't think the company has an
9 expectation when securitization would occur.

10 Q. So that's just totally open as far as the
11 company is concerned; that your testimony?

12 A. Appropriate legislation to allow cost
13 effective securitization doesn't yet exist, so for
14 the company to assume an outcome of the legislature
15 would be presumptuous of myself.

16 Q. Well, are you aware of any statements
17 that the company has made publicly about its
18 expectation as to when securitization might occur?

19 A. I don't know of specific comments the
20 company has made but the company would like
21 securitization legislation to pass so the benefits of
22 that can be passed on to the customer as soon as
23 possible.

24 Q. Right. So the sooner the better as far
25 as the company is concerned, correct?

1 A. If appropriate legislation is passed, the
2 sooner that it occurs there is more opportunity for
3 additional customer benefits beyond what I've shown
4 here.

5 Q. Another "benefit" that you provide some
6 quantification for is the "benefit" of CRES providers
7 receiving capacity prices that are set out in the
8 stipulation, correct?

9 A. Yes, that's a significant benefit of the
10 stipulation.

11 Q. So would it be fair to say that if the
12 company could find a settlement that it had engaged
13 in somewhere which would support a formula, let's say
14 that would support a cost of \$500 per megawatt
15 hour -- megawatt day, excuse me, that the benefit
16 would be even bigger?

17 A. The benefit that I have calculated is the
18 discount CRES providers are receiving below the
19 companies' cost of providing that capacity to CRES
20 providers.

21 Q. Well, isn't it true that if the company
22 could support a value of 500, the benefit would be
23 bigger?

24 A. If the companies' costs could support a
25 value of 500 and the company was providing an even

1 larger discount, then the benefits would be larger.

2 Q. Okay. So for example, are you familiar
3 with the capacity costs that set out in the pool
4 agreement that AEP Ohio is a part of?

5 A. I'm familiar with the capacity
6 calculations included in the companies' pool
7 agreement.

8 Q. And those capacity charges are in the
9 neighborhood of \$470 per megawatt day?

10 A. I don't know the numbers off the top of
11 my head, but it's an arrangement that includes a
12 variety of different elements in it.

13 Q. Right, but let's assume it's \$475 a day,
14 475 per megawatt day and the company said that should
15 be the proper charge, then the benefit would be
16 bigger than you calculated, correct?

17 A. It's not the companies' testimony here
18 today that that's the appropriate charge to provide
19 the CRES providers for use of the companies'
20 capacity.

21 Q. But if the company came in to support a
22 470-dollar price, the benefit would be bigger,
23 correct?

24 A. If the companies' cost justified rate was
25 larger and the company continued to provide RPM

1 capacity, then the benefit provided would be larger,
2 yes.

3 Q. And well, it is the case, is it not, that
4 the value of this "benefit" depends upon the price
5 that AEP Ohio could properly charge for capacity?

6 A. This benefit is based upon the capacity
7 charge that the company has proposed based upon its
8 costs as compared to the discounted capacity that the
9 company is willing to provide to CRES providers at
10 the RPM price.

11 Q. Could you go to your deposition, sir.
12 Page 168.

13 EXAMINER SEE: What page was that again?

14 MR. KUTIK: 168.

15 Q. Your testimony at your deposition was as
16 follows starting at line 1 --

17 A. I'm sorry, what page are you on, sir?

18 Q. 168. Are you there? Mr. Allen, are you
19 there?

20 A. I'm there.

21 Q. Okay. Starting at line 1, Question:
22 "I'm sorry. That doesn't really answer my question.
23 My question is isn't it true that the value of the
24 benefit depends on the price for capacity that AEP
25 could properly collect?"

1 Answer: "Yes, and I think that's exactly
2 what I did here."

3 Is that your deposition testimony, sir?

4 A. That's my testimony following the answer
5 where I said "The value that I calculated for the
6 discounted capacity was based upon the difference
7 between the cost of RPM capacity and the cost of
8 base -- the cost of base capacity rate that the
9 companies filed in Case 10-2929."

10 Q. And so it would be the case that for
11 there to be a benefit, the company would have to be
12 properly entitled to collect the 355 price, correct?

13 A. Yes, and I think the company is entitled
14 to that.

15 Q. Well, I understand that or you believe
16 that but the basis of the benefit is the propriety of
17 the 355 charge, correct?

18 MR. NOURSE: Your Honor, I just object.
19 I don't know how many times we are going to go
20 through this same circle of questions.

21 EXAMINER SEE: The question has been
22 asked and answered. Move on, Mr. Kutik.

23 Q. Well, so if determining -- so if the
24 Commission determines that rather than the \$355 per
25 megawatt day, the price that AEP Ohio could properly

1 charge but for the stipulation was something less,
2 then the benefit, in quotes, from the capacity price
3 discount would be less, correct?

4 A. If we weren't resolving Case 10-2929
5 within this stipulation, we wouldn't be evaluating
6 the value of an RPM discounted capacity. We would be
7 dealing with that in a separate proceeding and that
8 quantification wouldn't show up anywhere in my
9 analysis.

10 Q. Well, that's not my question.

11 My question is simply if the Commission
12 determines that AEP is not entitled to a price or
13 would not have been entitled to a price of \$355
14 megawatt day absent the stipulation, then under your
15 logic and the way you calculate benefits, the benefit
16 for the discount would be less?

17 A. You are asking a hypothetical --

18 Q. I certainly am.

19 A. That doesn't work. You are asking for
20 one thing to occur in the Commission's determination
21 of Case 10-2929 as opposed to it being resolved
22 within a stipulation.

23 So you are trying to say what would be
24 the affect of this stipulation if the stipulation
25 didn't occur, and that's just a hypothetical that I

1 can't analyze for you, I'm sorry.

2 Q. Well, isn't it true the company put on
3 the testimony of Mr. Pearce?

4 A. The company did put on the testimony of
5 Company Witness Pearce that supported that the
6 companies' cost base capacity charge is \$355 a
7 megawatt.

8 Q. And if the Commission were to determine
9 that Mr. Pearce is full of beans and the company
10 hadn't come up with anything close to supporting a
11 value of 355 as a cost-based number or as a number in
12 any way to support what they could charge absent the
13 stipulation and the Commission said the number -- the
14 price that AEP Ohio could charge for CRES providers
15 is something less than 355, then is the way you
16 calculate the benefit of the discount the number
17 would be less, correct, as a matter of math?

18 A. As a simple matter of math if you change
19 the capacity that's been assumed, it changes the
20 value of the discounted capacity.

21 Q. Right. So that, for example, if the
22 Commission were to determine that the only prices
23 that absent the stipulation AEP Ohio could charge is
24 the RPM price, the value of this benefit would be
25 either zero or negative, correct?

1 A. Once again, it's a hypothetical that
2 where you are asking me what happens if the
3 stipulation didn't occur, what would be the impact on
4 the analysis included in the stipulation. It's a
5 nonsensical hypothetical.

6 Q. Could you answer my question, please?

7 A. No, your --

8 MR. KUTIK: Could the Bench direct the
9 witness to answer the question.

10 MR. NOURSE: Your Honor, he has answered
11 it.

12 EXAMINER SEE: I think the witness has
13 asserted he cannot answer the question.

14 MR. KUTIK: All right.

15 Q. Under your formula instead of using 355
16 as the entitled to price, we use the RPM price, are
17 you with me so far?

18 A. Yes, I understand your statement so far.

19 Q. Would the calculation of your benefit be
20 either zero or negative? Correct?

21 A. The value could not be negative in that
22 case.

23 Q. Would at least be zero.

24 A. If I compare a number to the same number,
25 the difference in those two numbers would be zero no

1 matter what two numbers you compare. As long as they
2 are the same, the difference is zero.

3 Q. Well, isn't it true under the stipulation
4 the RPM -- it's not just the RPM price?

5 A. Discounted capacity is provided at the
6 RPM price and there is an additional benefit that I
7 have not quantified is the value of the discounted
8 capacity from 355 down to 355 for CRES providers and
9 customers that choose to shop above the 21, 31, or 41
10 percent, so that's a conservative assumption in the
11 analysis at this point.

12 Q. So your quantification of this "benefit"
13 is only the discount between 355 and RPM, correct?

14 A. Yes, that's correct.

15 Q. And so if the number we used instead of
16 355 was the RPM price, there would be no benefit,
17 correct?

18 MR. NOURSE: Asked and answered, your
19 Honor.

20 EXAMINER SEE: I will let the witness
21 answer the question.

22 A. I think I've indicated if I compared two
23 numbers that are the same, the difference between
24 those two numbers is zero.

25 Q. And that means there is no benefit,

1 correct?

2 A. If that were the case, I wouldn't be
3 doing this analysis. It's not part of the
4 stipulation so I wouldn't be doing the analysis.

5 MR. KUTIK: Can I have a minute?

6 Q. Doesn't zero mean there is no benefit
7 under -- if we are looking at your -- at the way you
8 calculate things? That's what it means, doesn't it?

9 A. I wouldn't agree that if we assumed RPM
10 pricing, that I would even do this analysis.

11 Q. That's not my question. That's not my
12 question.

13 A. If I put a zero on a page, it's zero.

14 Q. Okay.

15 A. I am not a -- I wouldn't be doing the
16 quantifiable benefits of the ESP under the assumption
17 that RPM is the price that the Commission would
18 authorize.

19 Q. That's not my question, sir.

20 As we are looking at your Exhibit WAA-4
21 and WAA-6, isn't it true that positive numbers are a
22 benefit, negative numbers are cost, and zero numbers
23 are no benefit and no cost?

24 A. Based on that question, that's true.

25 MR. KUTIK: I have no further questions.

1 EXAMINER SEE: Let's go off the record.

2 (Discussion off the record.)

3 (Recess taken.)

4 EXAMINER SEE: Let's go back on the
5 record.

6 Mr. Darr.

7 MR. DARR: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Darr:

11 Q. Mr. Allen, with regard to your
12 calculation of the benefits and costs of this
13 stipulation, did you make any cost calculation as to
14 the affect of the Timber Road REPA?

15 A. No, I did not.

16 Q. And does the Timber Road REPA reflect in
17 any way in the FAC rates that are implied by the
18 various calculations?

19 A. I don't recall if the Timber Road REPA
20 was included is the base forecast for the FAC.

21 Q. Would it help -- you were here yesterday,
22 correct?

23 A. Yes.

24 Q. And you heard I believe it was
25 Ms. Simmons's testimony testifying that the Timber

1 Road facility was not available -- or, not on line
2 until I believe July 15 of this year?

3 A. I did hear that, yes.

4 Q. Would that indicate to you whether or not
5 it would be included or not included in the current
6 FAC rate that you've used or the company has used
7 which is based on -- the 11-281 case?

8 A. I don't know.

9 Q. At this point has there been any
10 determination as to the minimum or maximum term that
11 would be defined for long-term contracts if you
12 procure shale gas?

13 A. No. I think that would be something that
14 would be addressed by Company Witness Hamrock.

15 Q. Has there been any definition of what the
16 investment or employment commitments the company is
17 going to be making with regard to Ohio shale gas
18 providers in the stipulation?

19 A. Once again, I think that's a topic that
20 would be covered by Company Witness Hamrock.

21 Q. You are not going to provide any -- you
22 are not providing any cost or benefit related to
23 either of those factors; is that correct?

24 A. That's correct.

25 Q. With regard to the collection of the

1 phase-in recovery rider, as I understand it, that's
2 going to apply to all company customers; is that
3 correct? And when I refer to "all company," I mean
4 both Ohio Power and Columbus Southern Power
5 customers?

6 A. That's the companies' proposal and that's
7 what's included in the stipulation, yes. With the
8 caveat that in 2012 it would not be collected per
9 residential customers.

10 Q. But in '13, '14, and the five months of
11 '15 that the PIRR would be effective actually through
12 '18 it would be collected from all customers
13 residential and -- and excuse me, commercial and
14 industrial, correct?

15 A. Yes, it would be collected from all
16 customers at the merged company.

17 Q. Now, as I understand it, you are
18 proposing through the collection of the PIRR, that
19 that amount not be adjusted for any accumulated
20 deferred income taxes per your understanding of the
21 08-917 decision, correct?

22 A. That's correct. And that's what's
23 indicated in the stipulation, there is no ADIT
24 adjustment.

25 Q. And that's the net result of the fact

1 that it's going to be set at the book value as
2 determined at the end of 2011; is that correct?

3 A. That's correct. That indicates there's
4 no ADIT adjustment to the value that the carrying
5 charge would be applied to.

6 Q. And my understanding is that once that
7 value is established on -- as of 2011, that value
8 will be continued throughout the term of the PIRR
9 collection, correct?

10 A. Which value are you referring to?

11 Q. The value, the amount to be collected,
12 the book value.

13 A. The book value will decline over time as
14 the company collects revenue -- PIRR or revenues from
15 the customers.

16 Q. Understood, but my question was once that
17 book value is established on December 31, 2011,
18 that's locked in, correct?

19 A. No, I don't think it's locked in. And I
20 think the stipulation indicates that if the
21 Commission were to issue an order in a subsequent
22 case such as the 2011 fuel audit, that wouldn't
23 happen until after the end of 2011, the result of
24 that would be reflect -- would adjust that balance.

25 Q. Is that conditioned in any way, if you

1 can recall?

2 A. I'm not aware of any conditions. It's in
3 the stipulation.

4 Q. Turning to page 26 of the stipulation,
5 does it not say "If, at any time after the PIRR
6 regulatory assets have been securitized, the
7 Commission or the Supreme Court issues a decision
8 that impacts the amount of PIRR regulatory assets,
9 AEP Ohio shall use a mechanism to make an
10 adjustment," based on that isn't this condition, this
11 change conditioned on the assets already having been
12 securitized?

13 A. Now, that language was intended to
14 clarify that if the company securitizes the assets at
15 some time after securitization, the Commission issued
16 an order, if they haven't resolved, say the 2011
17 fuel audit case, if that were resolved in 2013 and
18 the company had already securitized the assets, then
19 the company would find a mechanism to provide that
20 reduction or increase to flow through to customers.

21 We will not allow the securitization
22 process to prohibit the Commission to resolve any
23 over- or underrecoveries that result from an audit
24 and there's -- it's explicit in the securitization
25 language. That same concept is implicit if

1 securitization does not occur.

2 Q. Well, just so the record is clear, sir,
3 should the Commission, for example, in the 2009 case
4 return a result -- issue an order that results in the
5 company being required to restate the FAC -- the FAC
6 costs that were previously collected, it's your
7 opinion that the stipulation would not prevent that
8 from occurring; is that correct?

9 A. That's correct.

10 Q. And you believe that's a logical outcome
11 from the language that's contained in the current
12 stipulation; is that correct also?

13 A. Yes. The language where it talks about
14 the book value is intended to deal with the ADIT
15 adjustment to make it clear that the debt rate would
16 be applied to the entire regulatory asset balance.

17 Q. In making your calculation of the
18 benefits and costs have you made any attempt to
19 calculate the distribution or transmission-related
20 costs that might be associated with implementing
21 corporate separation?

22 A. No, I have not.

23 Q. Following up on a question that Mr. Kutik
24 asked you earlier, is it correct that if a customer
25 increases its load by 1 megawatt, and I believe the 1

1 megawatt shows up in the implementation document, not
2 the original Appendix C, that that customer would
3 move from Group 2 to Group 3?

4 A. That's correct. And that 1 megawatt
5 inclusion in the implementation plan was a relaxation
6 of the requirements that were included in Appendix C.
7 It limited the number of customers that would fall
8 into Group 3.

9 It allowed customers that had small
10 increases that were still greater than 10 percent not
11 to have to move into Group 3 and stay in Group 2.

12 Q. So if I understand it correctly and if I
13 understand your earlier testimony today, that
14 typically would apply to customers that are either in
15 the commercial or industrial classes?

16 A. I think it would solely apply to those
17 customers, yes.

18 Q. It would be extremely unusual for a
19 residential class customer to come even close to
20 those kinds of numbers and be in a contract that
21 would warrant that, correct?

22 A. Residential accounts don't have those
23 contracts so it's not possible.

24 Q. So essentially this would affect
25 customers who are actually expanding facilities; is

1 that correct?

2 A. Yes. This applies to customers that are
3 expanding facilities.

4 Q. So that the record is complete, I am
5 going to ask you to identify a couple of documents
6 for us so that we can have them in the record for
7 purposes of the case.

8 The first one I would like you to look at
9 which I would like to have I think it's number 5.

10 MR. DARR: I would like to have a
11 document marked as IEU Exhibit 5, please.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 Q. You have in front of you what's been
14 marked as IEU Exhibit 5, Mr. Allen?

15 A. I do.

16 Q. Do you recognize that?

17 A. Yes. That's one of my workpapers,
18 Workpaper WAA WP-3.

19 Q. And was this the document that you used
20 as the backup for providing the calculation of the
21 capacity benefits?

22 A. Yes, it is.

23 EXAMINER SEE: I am sorry, what workpaper
24 was that again, Mr. Allen?

25 THE WITNESS: It's workpaper WAA WP-3.

1 EXAMINER SEE: Thank you.

2 Go ahead, Mr. Darr.

3 MR. DARR: Thank you, ma'am.

4 Q. And unfortunately the lines aren't
5 numbered in this document so I am going to do this by
6 just referring to line labels and the initial column
7 number, if that's helpful.

8 As we look at the calculation that you've
9 performed to determine the capacity benefit, is it
10 correct that it is the subtraction of the line marked
11 "Market Price at Full Capacity Cost" and the "Market
12 Price at RPM" with -- for 2012 value 77.03 and 57.16.

13 A. Those are the two numbers that are
14 compared to develop the discount for shopping
15 customers with RPM set-aside which for 2012 is \$19.87
16 cents per megawatt hour.

17 Q. Now, with regard to the matter in which
18 you calculated the benefit, would it be correct to
19 say that the benefit realized by the customer who
20 receives -- that is part of this 21 percent is this
21 \$19.87 cents?

22 A. I don't know that I can agree with that.
23 It's dependent upon whether the CRES supplier allowed
24 that discount to flow through to retail customers.

25 Q. With regard to the ESP prices that would

1 be available to the customer, would it not be the ESP
2 price that would be available to that customer versus
3 the price available to the CRES -- through the CRES?

4 A. Yes. And that's what I have estimated
5 here assuming that the CRES provider would flow all
6 of the benefits of this discounted capacity through
7 to the customer.

8 Q. Well, is it true that the ESP price is
9 available through the testimony of Ms. Thomas in
10 LJT-2, Exhibit LJT-2? We could take from that the
11 estimated ESP price that she used, correct?

12 A. That's correct.

13 Q. And for the 21 percent of customers or
14 customer load that would be available at the RPM
15 price, we could take the 57.16 as the price that
16 those customers at least in your estimation would be
17 facing or the price that would be derived from that
18 57.16, excuse me.

19 A. Sir, you are going to have to ask that
20 question again.

21 Q. Sure. For the customer that is eligible
22 for the capacity price at RPM, would it be correct to
23 compare what the customer would be paying at the ESP
24 price versus what they would be paying at the
25 capacity price or the MRO price at the -- or let me

1 say this correctly, at a price that the capacity --
2 at a price that the electricity was available using
3 the lower RPM price?

4 I hope I've said that correctly.

5 A. No. I don't think that's the right
6 comparison to make.

7 Q. I know you don't but I'm looking at it
8 from the term of the customer and I want to let you
9 answer your question -- answer the question fully but
10 I'm trying to understand what comparison --

11 A. So the comparison that I was doing here
12 was really independent of the energy prices embedded
13 in that market price either at RPM or 355 or at the
14 full capacity cost. What I was comparing here is
15 different capacity rates, one being RPM, one being
16 the full capacity rate, what is that market price
17 including the same energy and ancillaries and just
18 identifying what's the difference in the capacity
19 price.

20 So I just used these two market prices to
21 determine what's the difference in capacity price
22 that the company would charge to a CRES provider
23 under the full cost capacity method and the RPM
24 method.

25 The price that would be offered to a

1 customer is based on a combination of the capacity
2 cost that the company is charging to the CRES
3 provider and the energy charges and other ancillaries
4 that that CRES supplier incorporates into the offer
5 they provide to the customer.

6 That could be less than what the market
7 price is because certain CRES providers may have
8 their own generation and their own energy sources
9 that they can use to supply those customers and they
10 may be making the choice to provide that energy below
11 what the market would be because they are working out
12 longer term deals.

13 So what I endeavored to do here is just
14 to isolate the impact of the companies' capacity
15 charge and how that would flow through to charges to
16 the CRES providers with the assumptions that that
17 benefit would also flow through to retail customers.

18 Q. You're aware that Ms. Thomas has prepared
19 an estimate of what she thinks the bid price would be
20 or the competitive price, correct?

21 A. And I've taken those prices from -- these
22 prices from Ms. Thomas' workpapers.

23 Q. That's fine.

24 One other document that I would like to
25 you identify, and let's mark it.

1 MR. DARR: If I may have it marked IEU
2 Exhibit 6, please.

3 (EXHIBIT MARKED FOR IDENTIFICATION.)

4 Q. Have you had an opportunity to look at
5 IEU 6, Mr. Allen?

6 A. Yes, I have. It's one of my workpapers.
7 Workpaper WAA-35.

8 Q. And is this a true an accurate copy of
9 your workpaper?

10 A. It appears to be, yes.

11 Q. And this -- this is a workpaper that you
12 used on the, what I will describe as the most recent
13 version of the testimony that -- the testimony that
14 was filed today? Or excuse me, the testimony that
15 you adopted today?

16 A. What this workpaper does is it provides
17 the values in Exhibit WAA-6 page 1 of 1 in the line
18 entitled "ESP Price Benefit For Nonshopping
19 Customers," so this is the workpaper supporting the
20 exhibit that was included in my testimony.

21 Q. The most recent version?

22 A. This is the only version of Exhibit WAA-6
23 that I filed, so it's incorporated in the testimony
24 that I have adopted today.

25 MR. DARR: Very good. That's all the

1 questions I have. Thank you.

2 EXAMINER SEE: Mr. -- I am sorry, any
3 other parties have questions for Mr. Allen?

4 Mr. Nourse, redirect?

5 MR. NOURSE: Yes, your Honor. A couple
6 of questions.

7 - - -

8 REDIRECT EXAMINATION

9 By Mr. Nourse:

10 Q. Mr. Allen, you recall earlier questions
11 from Ms. Grady concerning the A schedule reflected in
12 the companies' application in the distribution rate
13 cases?

14 A. Yes, I do.

15 Q. And there was some reference at that
16 point made to a proposed rate of return of
17 8.43 percent for Ohio Power and 8.36 percent for
18 Columbus Southern Power. Do you recall that?

19 A. Yes, I do.

20 Q. And is that rate of return referenced in
21 that Schedule A1 similar to or comparable to the
22 11.23 percent that's line 4 of WAA -- Exhibit WAA-2,
23 page 2?

24 A. No, it's not comparable. The values
25 included in the distribution rate case are post-tax

1 WACC rates. What's reflect in Exhibit WAA-2, page 2
2 of 2, on line 4, the 11.23 percent is a pretax WACC
3 rate.

4 If I were to convert that 11.23 percent
5 into a percentage consistent with the values shown in
6 the companies' distribution case that Ms. Grady
7 referenced, the comparable percentage would be
8 8.06 percent.

9 Q. Thank you.

10 And you had some questions earlier
11 about -- from Mr. Kutik regarding securitization
12 relative to the -- to the benefits. I won't use the
13 quote-unquote when I say "benefits," all right?

14 MR. KUTIK: I hope not.

15 Q. To the benefits in your exhibit
16 associated with the PIRR. Do you recall those
17 questions?

18 A. Yes, I do.

19 Q. Okay. And, first of all, absent the
20 stipulation in this case, is it your understanding
21 that the company is obligated to pursue
22 securitization?

23 A. No, it's not, but the stipulation does
24 provide language that commits the company to
25 undertake efforts to get securitization legislation

1 passed.

2 Q. Okay. And if the securitization occurs
3 earlier as a result of that stipulation commitment,
4 does that increase the benefits incrementally that
5 you have calculated associated with the PIRR?

6 A. Yes, it does, and on page 17 of my
7 prefiled testimony, on line 19 I show a result of \$72
8 million in savings as a result of securitization, and
9 those are incremental benefits over what I show in my
10 Exhibit WAA-4 or WAA-6.

11 Q. Okay. Thank you, Mr. Allen.

12 MR. NOURSE: That's all the questions I
13 have, your Honor.

14 EXAMINER SEE: Recross?

15 MS. GRADY: No, your Honor.

16 EXAMINER SEE: Mr. Kutik?

17 MR. KUTIK: May I have a moment, your
18 Honor?

19 I have no questions, thank you, your
20 Honor.

21 EXAMINER SEE: Mr. Darr.

22 MR. DARR: I feel like the person raising
23 his hand at the end of the day when after the bell
24 has rung.

25 May I have just a moment, please? I am

1 not even going to specify the number of questions
2 because you caught me on that the last time we did
3 this.

4 EXAMINER SEE: So you would like a
5 minute?

6 MR. DARR: I would like a moment.

7 EXAMINER SEE: A moment. Okay, Mr. Darr,
8 a moment.

9 - - -

10 RECROSS-EXAMINATION

11 By Mr. Darr:

12 Q. You just mentioned the benefits of
13 securitization that you calculated. In making that
14 calculation did you make any calculation with regard
15 to or any attempt to calculate securitization costs?

16 A. Beyond the interest rate assumptions I
17 did not include any additional costs associated with
18 securitization.

19 Q. So there is nothing in there with regard
20 to underwriting or legal fees, correct?

21 A. That's correct.

22 Q. Nothing in there with regard to advisor
23 fees, correct?

24 A. Correct.

25 Q. There's nothing in there with regard to

1 registration fees, correct?

2 A. That's correct. And my understanding is
3 those costs are not that significant and they are
4 definitely well below the \$72 million worth of
5 benefits that I provide.

6 Q. But you haven't calculated those and they
7 are not part of the record in this case, are they,
8 Mr. Allen?

9 A. No, they are not because a -- an estimate
10 of those is difficult to come up with ahead of time
11 before we actually see what kind of securitization
12 the company would be doing.

13 MR. DARR: My moment is complete. Thank
14 you, your Honor.

15 EXAMINER SEE: Okay. Thank you.

16 MR. NOURSE: Your Honor, the company
17 renews its motion to admit AEP Exhibit No. 4.

18 EXAMINER SEE: Okay. And your request to
19 move the exhibit is noted.

20 First, Mr. Allen, the Bench has a couple
21 of questions for you.

22 THE WITNESS: Okay.

23 - - -

24 EXAMINATION

1 By Examiner See:

2 Q. In response to some questions asked by
3 Mr. Kutik, you indicated that a customer from
4 group -- a Group 5 customer could become a Group 3
5 customer with no impact. Do you recall that?

6 A. Yes, I recall that.

7 Q. When you said there would be "no impact,"
8 what did you mean?

9 A. What I meant, that once a customer is a
10 Group 5 customer, they are receiving allotments of
11 RPM-priced capacity anyway. So they won't be
12 stepping ahead of any other customers. They are
13 already getting those allotments.

14 They are just moving within customers
15 that already have allotments so their spot in line
16 becomes not meaningful. Your spot in line is only
17 meaningful if you are outside of Group 5 to -- moving
18 from 5 to 3, has no impact on whether a customer
19 would receive an allotment but for the incremental
20 piece of their load.

21 Q. So would that same no impact be true so
22 long as you are in Group 1 through 5?

23 A. Yes, because one of the provisions in the
24 implementation plan is that once a customer receives
25 an allotment, they continue to receive that allotment

1 into the future.

2 So that even if the 41 percent in the
3 last year when we go into 2016 -- I'm sorry, into
4 2015 because of the amount of usage in the prior year
5 that makes the allotment a little bit smaller, all
6 the customers that previously received an allotment
7 would continue to receive those allotments.

8 So once you get an allotment, as long as
9 you continue to take service from a CRES provider,
10 you get that allotment through the end of the plan.

11 Q. Through -- for the entire term of this
12 ESP.

13 A. Yes. So long as the customer continues
14 to take service from a CRES. If they leave CRES
15 service and become an SSO customer, they move to the
16 back of the line.

17 Q. And that would be true if the customer
18 becomes an SSO customer for any period of time?

19 A. That's correct.

20 Q. Okay. You referred to an SDI information
21 that would be provided to a -- to -- from a CRES
22 provider to AEP if a customer moves. What does "SDI"
23 stand for?

24 A. SDI is the service delivery identifier.
25 That's basically the customer account number. It's a

1 unique identifier for each customer.

2 Q. Okay. All right.

3 A. It's different than the customer account.
4 It's another unique identifier.

5 Q. Okay. In response to one of the
6 hypotheticals that you were given, I believe by
7 Mr. Kutik, a residential customer who was shopping
8 has as of July 1, 2011, and then moved residences,
9 what class would that residential customer -- what
10 group customer would that residential customer be?

11 A. If the customer moved from one -- in --
12 first let's go where --

13 Q. I'm a residential customer. I started
14 shopping prior to July 1, 2011. What class -- what
15 group number am I in?

16 A. You would be a Group 1 customer.

17 Q. Okay. I move residences. Still within
18 AEP territory. What group customer am I in?

19 A. Based upon the stipulation, a customer
20 when they move residences always starts taking SSO
21 service. So they would not be taking continuous
22 service from a CRES provider.

23 Q. Okay.

24 A. And then they would have to sign up with
25 a CRES provider so they would move to the -- to the

1 end of the line.

2 Q. And if I am at the end of the line, as
3 you put it, what group customer am I when I start
4 with a new CRES provider?

5 A. You would be a Group 5 customer. All
6 customers after September 7 of this year are Group 5
7 customers. Any customer that chooses to take service
8 from a CRES that wasn't previously taking it
9 continuously becomes a Group 5.

10 EXAMINER SEE: Okay. Thank you,
11 Mr. Allen. You may step down.

12 THE WITNESS: Thanks.

13 EXAMINER SEE: The company moved for
14 admission of AEP Ohio Exhibit 4, stipulation
15 testimony of William A. Allen. Are there any
16 objections to the admission of that exhibit?

17 Hearing none, AEP Exhibit 4 is admitted
18 into the record.

19 (EXHIBIT ADMITTED INTO THE RECORD.)

20 EXAMINER SEE: Ms. Grady.

21 MS. GRADY: Just to be sure, OCC moves
22 for 2, 3, 4, and 5. I am not sure they were ruled
23 upon.

24 EXAMINER SEE: They were not according to
25 my notes.

1 Is there any objection to the admission
2 of OCC Exhibit 2, 3, 4, and 5?

3 MS. GRADY: 5.

4 MR. NOURSE: No objection.

5 EXAMINER SEE: And, Ms. Grady, you did
6 not move OCC Exhibit 6?

7 MS. GRADY: That's correct.

8 EXAMINER SEE: And you have no intentions
9 of moving it into the record. Is that correct?

10 MS. GRADY: Not at this time, your Honor.

11 EXAMINER SEE: I am sorry, there was no
12 objections to OCC 2 through 5?

13 MR. NOURSE: Correct.

14 EXAMINER SEE: With that, OCC Exhibits 2,
15 3, 4, and 5 are admitted into the record.

16 (EXHIBITS ADMITTED INTO THE RECORD.)

17 EXAMINER SEE: And IEU has marked
18 Exhibits 5 and 6.

19 MR. DARR: Move for 5 and 6, your Honor.

20 EXAMINER SEE: Are there any objections
21 to the admission of IEU Exhibits 5 and 6?

22 MR. NOURSE: No, your Honors.

23 EXAMINER SEE: IEU Exhibits 5 and 6 are
24 admitted into the record.

25 (EXHIBITS ADMITTED INTO EVIDENCE.)

1 EXAMINER SEE: Given the time, I'm sure
2 Ms. Thomas would love to begin testifying at this
3 point, but I don't think the rest of us could take
4 it, so we will add Ms. Thomas to the list of
5 witnesses to offer testimony tomorrow. According to
6 my notes we will also have --

7 EXAMINER TAUBER: We have Witness Honsey
8 representing Grove City and Witness Ringenbach
9 representing RESA, those are date certain.

10 MR. HAQUE: I am Asim Haque representing
11 the City of Grove City. Would it be possible,
12 because my notion is Ms. Thomas' testimony will take
13 a little longer than Mr. Honsey, to have Mr. Honsey
14 go before Ms. Thomas first thing tomorrow?

15 MR. NOURSE: Yeah, that's fine. That's
16 okay.

17 EXAMINER SEE: As a matter of fact we
18 will probably start with Honsey.

19 MR. HAQUE: I see, thank you, your Honor.

20 EXAMINER SEE: And go to Ms. Ringenbach
21 and then to Ms. Thomas.

22 Given the fact that we are going to try
23 to make sure we're out of the here between no later
24 than 5:30, let's start at 9:00 o'clock tomorrow
25 morning.

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1 The hearing is adjourned until 9:00.
2 (Thereupon, the hearing was adjourned at
3 5:56 p.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is
3 a true and correct transcript of the proceedings
4 taken by me in this matter on Thursday, October 6,
5 2011, and carefully compared with my original
6 stenographic notes.

7
8 Karen Sue Gibson, Registered
9 Merit Reporter.

10 (KSG-5425)

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Case No(s). 10-2376-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Transcript Transcript of Columbus Southern Power Company and Ohio Power Company hearing held on 10/06/11 - Vol III electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.